# THE STUDENT'S COMPLETE COMMERCIAL BOOK-KEEPING

ARTHUR FIELDHOUSE

# THE STUDENT'S COMMERCIAL SERIES.

**Always kept up-to-date.** **Twentieth Century Methods.**

**750,000 sold.** **All prices are net.**

**ADOPTED by the LONDON COUNTY COUNCIL.**

(1) **Student's ELEMENTARY (PART 1) Book-keeping, 3/-, Postage 6d.**

(2) **Student's ADVANCED (PART 2) Book-keeping, 4/6, Postage 9d.**

(3) **The Student's COMPLETE Commercial Book-keeping, Accounting and Banking, 6/-. Postage 9d.**

(4) **KEY to ELEMENTARY (PART 1) Book-keeping, 16/-. Postage 9d.**

(5) **KEY to ADVANCED (PART 2) Book-keeping, 20/-. Postage 9d.**

(6) **The Student's BUSINESS METHODS and Commercial Correspondence, 3/-. Postage 6d.**

(7) **INCOME TAX SIMPLIFIED, 1/6. Postage 2d.**

(8) **The Student's Phonographic SHORTHAND EXERCISES, Examination Guide and Speed Tests, 2/-. Postage 6d.**

(9) **1907 to 1917 Advanced Book-keeping Examination Papers, 7d.** each year, being Supplements to the "Complete" edition.

(10) **FULL KEY to 1911 to 1918 Advanced Examination Papers, 2/6** each year, **Postage 1d.,** being Supplements to the "Advanced Key."

(11) **Manuscript Books: LEDGER, 1/-. Postage 2d. one; 6d. two.**
**JOURNAL, 1/-. Postage 2d. one; 6d. two.**

(12) **3 Sheets: Trading, P. & L. A/cs., and Balance Sheets, &c., 1/1 the set:** (foolscap folio) illustrating (1) Trading, P. & L, three Capital A/cs. and B/S. of a Private Trader or Firm; (2) Trading, P. & L., Appropriation A/cs. and B/S. of a Limited Company; (3) Statement of Affairs and Deficiency A/c. in Bankruptcy.

(13) **Farm and Estate Book-keeping,** by Taylor & Peet, **6/-,** postage **6d.**

**Foreign Customers** are reminded that the postages quoted above only refer to the United Kingdom, and should be **doubled** for postage to other parts of the British Empire and Foreign countries. Foreign stamps are *not* accepted in payment. **Every order** should be **complete** in itself, and should not depend on reference to any previous order or communication. Names and addresses of correspondents should be written **legibly,** so as to avoid delay in delivery. **Cash** must accompany each order.

**Specimen Pages** of books numbered **1, 3, 4, 5, 6, 8, 13,** may be had free of charge, and any of the **Books** may be **purchased** at the **net** prices above from **all Booksellers** or **direct from the author** and **publisher:—**

## Arthur Fieldhouse, P.O. Box A.27, Huddersfield.

**Telegrams:**—Fieldhouse, West Parade, Huddersfield.

**Parcels:**—66, West Parade, Huddersfield.

Joseph Mill


## TO STUDENTS.

*The price of this book does not include the free correction of exercises, free keys, postal tuition or correspondence. The* **Key** *to any* **one Exercise** *or* **Exam. Paper** *may be had for* **One Shilling** *post free, for cash, from—*

**Arthur Fieldhouse, P.O., Box A. 27, Huddersfield.**

*(See Advertisements as to Keys at the end of the book.)*

# A Set of 2 Manuscript Books

for working the exercises contained in "The Student's Commercial Book-keeping," may be obtained from **ARTHUR FIELDHOUSE, Box A. 27, HUDDERSFIELD, 2/6 post free;** one book only, **1/4 post free.** The author uses and recommends only *two* books for working exercises: Ledger and Journal. The **Ledger** contains seven **specimen accounts,** ruled in red, on the inside of the stiff covers. It is ruled to accommodate **144 a/cs.,** all of which are headed "Dr." and "Cr." The **Journal,** which contains **specimens** of Journal, Purchases Book, three-columned Sales, Cash Books, and **Tabular Purchases Day Book,** ruled in red, may also be used for the **Purchases, Sales, Cash,** and **Bill Books.** The whole is ruled with three money columns, so that it may be used for single, double or three-columned work. Both books consist of **48 numbered pages,** which are **stitched** in preference to being "pinned." These books are most **durable, practical,** and **economical.** Books costing 3d. or 4d. each are not only much inferior in quality, but are so small, paltry, and unbusinesslike that they have to be continually renewed. These are the **cheapest on the market.**

## TO CORRESPONDENTS.

*Courtesy requires that all letters requesting favours or information should contain a* **stamped-addressed envelope** *for reply. The author does not enter into correspondence relative to Examination Papers. All such letters should be addressed to the Examiners or Examining bodies concerned.*



# — The —
# STUDENT'S
# COMPLETE COMMERCIAL
# BOOK-KEEPING

## ACCOUNTING and BANKING,

COMPRISING THE PRINCIPLES AND PRACTICE OF DOUBLE ENTRY AS APPLIED TO MODERN BUSINESS, AND INCLUDING A COURSE OF TRAINING FOR ALL PUBLIC AND PROFESSIONAL EXAMINATIONS,

BY


## ARTHUR FIELDHOUSE,

**FELLOW** of the **ROYAL SOCIETY** of **ARTS.**
**ACCOUNTANT AND AUDITOR.**

AUTHOR OF

*"The Student's Business Methods & Commercial Correspondence";*
*"The Student's Phonographic Shorthand Exercises";*
*"The Student's Elementary Commercial Book-keeping";*
*"Income Tax Simplified."*


## TWENTY-EIGHTH EDITION.


PUBLISHED BY

**A. FIELDHOUSE, 66 West Parade, Huddersfield.** | **SIMPKIN, MARSHALL & Co., Ltd., London, E.C. 4.**

**1920.**

HUDDERSFIELD:
NETHERWOOD, DALTON & CO.,
RASHCLIFFE.

## PREFACE to the TWENTY-EIGHTH EDITION

The present edition has not only been thoroughly **revised** and entirely **reprinted,** but it has also been **enlarged,** so as to include most of the recent **elementary, intermediate,** and **advanced examination papers.** No other work on this subject possesses the **advantage** of having been written by one who combines the knowledge and experience of **modern business** and accountancy with the requirements of the classroom, where he has taught 3,000 students ; in other words, he is, at once, a **business man,** a **practising accountant,** and a **teacher.**

The principles of the **science** are thoroughly taught, while the practice of the **art** and **current business methods** receive their due share of attention. **Practical work** and **up-to-date** methods are a special feature.

**Graduation** in the arrangement of the text and exercises is maintained throughout, so that the teacher, and his class, as well as the self-taught student, find their task considerably lightened. All difficult points are **fully explained** and well **illustrated.**

As an **Examination Guide** it is unequalled. **Eight hundred** and **ten Gold, Silver** and **Bronze Medals,** and **Prizes,** including one **Cash Prize** of **£100,** secured by students of this book, all at recent competitive public examinations, is, indeed, a marvellous record.

As a **Twentieth-Century work** of **reference** and **office handbook** it is becoming increasingly popular, being in constant use in **hundreds** of **accountants' offices.** *A dozen men in our office have made it their companion,* says one of many correspondents. A glance at the **Index** is sufficient to convince anyone of the **permanent value** of the book. The **list** of **schools** using this book in **London,** the **Provinces,** and throughout the **British Empire,** as well as the hundreds of testimonials received, would require a substantial book for their reproduction.

*ARTHUR FIELDHOUSE,*

*June,* 1920. 66 *West Parade, Huddersfield.*

## CONTENTS OF "COMPLETE" WORK.


| | Page. |
|---|---|
| Suggestions for Teachers, 6. Instructions to Students | 8 |
| Definition and Cause of Book-keeping, 11. Waste Book | 12 |
| Definition of Account, 12. Theory of the Ledger .. | 13 |
| Cash, Goods, Personal and Proprietary Accounts .. | 15 |
| Double Entry and Journalising .. .. .. .. | 31 |
| Banking, Cheques, Crossings, "Not Negotiable" .. | 50 |
| Interest, Discount, Bad Debts and Petty Cash .. | 62 |
| Goodwill, Property and Depreciation .. .. .. | 72 |
| Practical Book-keeping and Tabular Work .. .. | 79 |
| Returns and Allowances. Trading Account .. .. | 98 |
| Inland and Foreign Bills of Exchange.. .. .. | 153 |
| Consignments and Joint Accounts .. .. .. | 188 |
| Reserve for Doubtful Debts and Discount .. .. | 199 |
| Commission Sales, On Sale or Return .. .. .. | 208 |
| Mortgages, Overdrafts and Contracts .. .. .. | 216 |
| Single Entry and Statement of Affairs .. .. | 220 |
| Partnership and Realisation Accounts .. .. .. | 247 |
| Trading and Manufacturing Accounts .. .. .. | 272 |
| Self-Balancing Ledgers with Examples.. .. .. | 285 |
| Examinations in Book-keeping .. .. .. .. | 295 |
| Income Tax and Excess Profits Duty .. .. .. | 340 |
| Joint Stock Company Accounts .. .. .. | 412 |
| Model Exercise of "Nicotine, Limited" .. .. | 432 |
| Increase and Reduction of Capital .. .. .. | 470 |
| Reconstructions, Absorptions and Amalgamations .. | 474 |
| Reserves and Reserve Fund Investments .. .. | 493 |
| Receipts and Payments Accounts .. .. .. | 497 |
| Income and Expenditure Accounts .. .. .. | 498 |
| Double Account System with 13 pp. of Examples .. | 503 |
| Bankruptcy, Statement of Affairs and Deficiency A/cs. | 522 |
| Royalties and Short Workings .. .. .. .. | 543 |
| Cost Accounts with Examples .. .. .. .. | 548 |
| Insurance Accounts with Examples .. .. .. | 556 |
| Departmental Accounts and the Tabular System .. | 566 |
| Hotel Accounts, Trading A/c. and Balance Sheet .. | 587 |
| Branch and Multiple Shop Accounts .. .. .. | 594 |
| Examination Papers, including **1919** (p. 968).. .. | 609 |
| Memorandum of Association (Verbatim copy) .. | 777 |
| Table A of the Companies (Consolidation) Act, 1908 .. | 779 |
| Published Accounts of forty Companies .. .. | 795 |
| Executorship Accounts and Death Duties .. .. | 861 |
| Accountancy, Banking, Legal and Commercial Terms | 885 |
| Indexes of Text, Exercises and Examination Papers .. | 945 |

## INTRODUCTION.

A knowledge of Book-keeping is absolutely essential to the satisfactory conduct of any business, however small. A **Merchant's books** may be regarded as his mercantile chart, from the consultation of which he should be able to ascertain, not only his exact position on the turbulent sea of commerce, but also to learn whether the course he is pursuing is likely to take him into the harbour of competence and wealth, or the Official Receiver's refuge.

It is a matter for regret that **penal laws** should be found at all necessary. On the Continent the use of the "Journal" (in which *every entry* must be made before posting to the Ledger, this being known as the **Continental System**), is made compulsory, under heavy penalties for non-compliance; and in our own country **bankrupts** are liable to punishment for failing to keep a sufficient record of their business transactions. One would have thought that the satisfaction arising from recording their affairs in accordance with correct methods of Book-keeping, would be sufficient inducement to traders to learn to understand and practice thoroughly systematic and intelligent Book-keeping. That this is not so, is evidenced by the fact that, every year, hundreds pass through the Bankruptcy Court, who have either kept no books at all, or those kept are scarcely intelligible. Next to extravagance, inefficient book-keeping is one of the principal causes of insolvency.

**The cause** of such a state of things is, probably, not far to seek, for while adequate facilities for all kinds of professional training have been provided in this country, **commercial education** has been sadly neglected, and it is only during recent years that attempts, more or less serious, have been made to remedy this state of affairs.

**Training** is quite as necessary for a **commercial life** as it is for a professional one; and unless the youths of this country become willing to equip themselves thoroughly for the career upon which they enter, they will assuredly have to stand down while others will take their places.

# SUGGESTIONS for TEACHERS.

1. As suggested by the **Syllabus** of the **West Riding County Council** each class should be taught collectively ; a portion of each lesson being devoted to the explanation of principles, transactions and terms, and a portion to the elucidation of difficulties met with in the home work. The class should be questioned as to the correct way of entering up each transaction, and the reason therefor.

2. **In addition** to dealing with the explanatory matter occurring between, and relative to, each exercise, you should also include in the lesson the explanation of a few of the **mercantile terms,** as well as the filling up of cheques, bills, and other forms specified by the Syllabus.

3. Although the first nineteen exercises are not essential, I find the working thereof of such service to **beginners,** by reason of their **educational** value and the material improvement it effects in the style of the pupil's subsequent work, as to warrant their inclusion.

4. Generally speaking the **Syllabuses** of the public examining bodies are covered in the **Elementary Stage** by working exercises 1 to 35, in the **Intermediate Stage** by working up to exercise 100, and in the **Advanced Stage** by working up to the end of the **Complete** or **Advanced** book.

5. In order to fix thoroughly the **principle** of **double entry** in the students' minds the nine exercises, 19 to 25 should first be journalised, posted, and a trial balance prepared. Then the next exercise, 26 (page 96), should be worked on the **practical** method only, followed by the re-working of exercises 20 to 25 on the same method. The students will then be able to compare the theoretical with the practical method of recording the same transactions. The six exercises, 27 to 32, are specially designed for **practical working** only, after which all the exercises in the book should be worked practically. The **answers** to exercises 20 to 32 are given on page 30.

6. The **tendency** of **modern examinations** is to require from the candidate a more detailed acquaintance with the **practical methods** used in business houses than was formerly the case. Some Examiners are so possessed with the idea of the **practical** that they either neglect or discount the theoretical and educational aspect of the subject. In other words, they recommend beginners to learn **practical** Book-keeping before acquiring a

sound knowledge of the theory and principles. Every teacher knows that this method is educationally wrong. Those teachers who, contrary to the advice of the author, wish to teach practical Book-keeping from the very first lesson may do so by commencing with the chapter on **Practical Book-keeping, page 79.** No more exhaustive exposition of elementary practical work will be found in any book on the market.

**7.** We are also told by some Accountants, whose work brings them into contact with the accounts of large concerns and limited companies, that there is now no necessity to teach the keeping of a **Goods A/c.,** notwithstanding the fact that such an account is so **practical** as to be kept in thousands of **small businesses.** While students should be taught that in businesses with sales running into thousands a year, **separate accounts** should be kept for Stock, Purchases, Returns Outwards, Sales, Returns Inwards, there is no necessity to open these **five accounts** in a small business, for which a simple Goods A/c. is quite ample. Because some large concerns keep two Cash Books, one for recording **Receipts** and the other for **Payments,** it would be unreasonable to insist that every small business should adopt such a method. It has been suggested that all reference to the **Goods A/c.** should be deleted from this textbook, but such an omission would render the book imperfect, for two out of three Examiners are still setting Papers and asking Questions involving its use. It would be much more reasonable to suggest the omission of all reference to that farce known as **Single Entry,** upon which some Accountants and Examiners waste so much energy.

**8.** The **Exercises** and **Examination Papers** included in this work are **larger** in **number** and **greater** in **variety** than those contained in any other textbook, covering every conceivable transaction in all stages of the subject. The Teacher has choice of Exercises and Papers of **varying length,** some of which may be worked in a few minutes, while others require two or three hours. It is quite impossible to include every Examination Paper in a work of this description, as between **70** and **100 Papers** are set each year. The average Examination Paper is merely a duplication of common transactions. It is important, however, that the **text** should be kept **up-to-date,** and this is the only textbook which is able to do this by reason of the fact that it is **revised** and entirely **reprinted** every two years. It is also worthy of note that this is the only work to which there is a **FULL KEY,** a new edition of which has recently been published including the solutions to the Examination Papers for **1919.**

# INSTRUCTIONS to STUDENTS.

**1.** You will be required to **provide yourself** with such **Manuscript Books** as directed by the teacher. Those sold by the Author, **Arthur Fieldhouse, P.O. Box A. 27, Huddersfield,** at **2/4 per set,** post free, will be found very serviceable.

**2.** Never fail to **bring** with you **to the class** your textbook, note book, manuscript books, *medium pointed* pens and blotting paper. Broad-pointed pen nibs should never be used.

**3.** Most of the **exercises** will first need to be worked out on sheets of paper, and, after having been corrected by the teacher, **neatly copied** into your manuscript exercise books.

**4.** Never leave an exercise unfinished on account of some error, but search it out, remembering that the first essential of Book-keeping is **Accuracy.**

**5.** Let your **writing** and **figuring** be such as will give a neat appearance to your work. Figures must *not* be joined together. Books kept in a slovenly scrawl, or in flourished writing, are a discredit to the book-keeper and an eyesore to his master. Let **Legibility** and **Neatness** be your motto.

**6.** When entering an account, place the particulars of the second and each succeeding entry the **same distance** from the left-hand margin as the first entry, so that the *first* letter in each word forms a **perpendicular line** of capital letters ; and in the money columns place units under units, tens under tens, &c. To commence one entry further in than another, or to misplace figures, detracts from the orderly appearance of your work.

**7.** Never insert **noughts** in the money columns when unnecessary to the amount, as they are liable to lead to confusion when totalling. A dot or dash is preferable.

**8.** Let all horizontal lines be thinly **ruled** in **red ink.** Rule *one line* above every total and *two lines* underneath every *final total*, but do not rule any lines after a total which is *carried forward.*

**9.** Always place the indication of a **£** by the side of each **total,** thus :— **£**626 10 6.

**10.** Remember that every transaction must have a **date,** both in the subsidiary books and the Ledger.

**11.** Do not fail to place **Dr.** and **Cr.** at the head of every account.

**12.** Write the names and **headings** of books and accounts very **boldly,** so as to make them distinct and conspicuous.

**13.** The **totals** of both sides of an account should always be placed on a **level** with each other, even though there are not the same number of items on both sides.

**14.** Never insert **balances** or **totals** in ink until you have checked their correctness.

**15. Never scratch out** an incorrect entry, but rule it through so that the error may still be visible on inspection. Scratching out is untidy and likely to create suspicion.

**16. Regular attendance** is of great importance. An evening student should make a point of being present at every meeting of the class, otherwise he finds himself seriously handicapped, as it is generally impossible for his teacher to depart from the syllabus and repeat a lesson—it would be an injustice to those who attend regularly to do so. The progress of a class as a whole is, and must be, considered before that of a few stragglers, who often blame their teacher for the result of their own irregularities. **Continuity** of work is essential to progress.

**17.** Endeavour to be in your class five minutes before the appointed time. The **unpunctuality** of a few frequently wastes the time of many students.

**18.** If you are desirous of being a credit to yourself and a source of satisfaction to your teacher, do not fail to complete, most carefully, the whole of your **home work.** Without **work,** progress is impossible. Do not wait until the arrival of the next class day before you commence to hurry through your exercises.

but commence immediately you reach home on leaving the class. **Do a portion each day.** Do not wait until you have a complete hour at liberty before you commence your exercises. "Procrastination is the thief of time," therefore utilise the five minutes you have before breakfast, the ten minutes after dinner, the fifteen minutes at tea time, etc., and you will be surprised at the result. In this manner the busiest youth can devote from thirty to sixty minutes **each day** to his studies.

**19.** If the instructions with reference to the working of the exercises are not complied with, the teacher may not only refuse to correct your work, but may require it to be re-written. Pencil work will on no account be permitted, therefore **use ink always.**

**20.** You must not forget, in the study you are about to commence, that you will **not** be taught to keep the books of any particular trade, as a grocer, a draper, a cloth merchant or an engineer ; but that you will receive instruction in the **principles** of book-keeping and their **general application** to **modern business,** which knowledge may be readily applied to the books of any specific business, which vary only in matters of *detail.*

**Efficient** book-keeping is an absolute **necessity,** for three reasons (1) *Personal,* control over the business and the satisfaction of ascertaining results as to true financial position ; (2) *Commercial,* business depends to a large extent upon the accuracy of the information conveyed by the books ; (3) *Legal,* the avoidance of the penalties incurred in case of Bankruptcy, Income and Super Tax, &c.

**PROPER ACCOUNT BOOKS.**

*"The case of H.J.M., who had traded as an upholsterer in.....Street, London, E.C., came before the Court upon an application by the debtor for his order of discharge.*

*His Honour said he noticed that the debtor had kept proper books of account, and they had been periodically balanced. This was so unusual a record that he should mark his appreciation of the debtor's conduct by granting him an immediate order of discharge, subject only to a judgment for £10."*

# BOOK-KEEPING.

BOOK-KEEPING is the *science* and *art* of recording in books **pecuniary transactions,** so unremittingly and so accurately, that you are able at any time to ascertain (**1**) the **result** during a given period, (**2**) the **exact state** of your financial affairs at the end of the period, or any portion of them, with **clearness** and **expedition,** and to **prove** their **accuracy.**

**2.** The **practice** of scientific book-keeping is no mere experiment, the results of which are doubtful and uncertain. On the contrary, every **result** you obtain may be relied upon as being absolutely accurate, because you can **prove** your books as easily as you can prove a multiplication sum by division. This is very desirable as it affords the information which will enable you to protect yourself against excesses and, generally, keep due control over your business affairs.

**3.** If all the **facts** relative to your business be properly recorded in your books, you should, at any time, be able to obtain ready answers to the following amongst other questions :—

1. What amount do I owe to each person ?
2. What amount is owing to me by each customer ?
3. Am I gaining or losing ?
4. What are the sources of my gains and losses ?
5. Am I solvent or insolvent ? If the former, what is the amount of my Capital ? If the latter, what is the amount of my deficiency ?

**4.** The **cause** of Book-keeping is **Commerce**—the interchange of surplus goods or commodities. These exchanges result in what are known as **Transactions,** which are the acts performed by **two** persons in buying, selling, paying, receiving ; in fact every act involving the transfer of money or money's worth, from **one to another,** and every **exchange for value,** whether money, goods, or debts, which takes place in your affairs. Every financial change which occurs in your business is a transaction, even though no specific act is performed at all ; for instance,

if you are informed that one of your debtors has absconded, leaving no assets behind, such a *fact* must be shown in your books, by closing the a/c. of the defaulting debtor. The exercises contained in this book are sets of transactions which, in the first place, it will be your duty **to enter** up in the various books in proper order, and secondly, to prove the accuracy of your work. There are two ways of recording transactions—chronological and classified. The former is advantageous for entering, while the latter is convenient for reference.

**5.** The **WASTE BOOK** (which is now rarely used in business houses) simply contains a roughly scribbled record of transactions daily arranged in the **order in which they occur,** without any regard whatever to their nature or import. All the **exercises** given in this work are really cuttings or extracts of entries from the Waste Book. (See exercise 19, page 35.) The chronological or *in-order-of-date* arrangement of the transactions in the Waste Book facilitates the work of the student book-keeper in entering up his other books.

**6.** In recording pecuniary transactions **two objects** must be kept in view :—

1. Each record or entry must be so **explicit** that at any future time, the exact nature of the transaction may be readily perceived without the aid of the memory.
2. Each transaction should be so **classified** that at any time the total result of such transactions during any given period, may be easily ascertained.

It will be clear to you if you are to comply with these two rules, that transactions of a *similar nature or with the same person* must be gathered and collected together in classes or groups, for which *separate* accounts will require to be opened in the Ledger, such as John Smith's account, Henry Clay's account, Cash account, Goods account, Profit & Loss account, &c.

**7. AN ACCOUNT** is a register of a *particular class* or group of pecuniary or money, *i.e.*, **£ s. d.,** transactions. To register or record a transaction is to make an **entry.**

# THE LEDGER.

**8.** The book which contains this collection of **Accounts** and in which the answers to the questions specified in par. 3 are to be found is called the **Ledger.** It is the **most important** of all Account Books, in fact it is the **only essential** book. It contains a condensed and **classified** record of all the pecuniary transactions of the business, transferred, or posted from the *Books of Original Entry*. The Ledger thus becomes the permanent storehouse of all the transactions, in a form capable of ready reference. It facilitates the prompt collection of money due.

**9.** It is found convenient and economical in the keeping of accounts to have the pages of the Ledger vertically divided into **two equal parts :** each of which is sub-divided into four sections ; the first section being for the date ; the second, the particulars ; the third, the folio ; and the fourth, the amount ; as follows :—

TWO PERSONAL ACCOUNTS IN THE LEDGER.

**Dr.** **Alfred Sykes,** 16 Park Row, Leeds. **Cr.**

| Date. | Particulars of Transactions. | Fol. | Amount. £ | s. | d. | Date. | Particulars of Transactions. | Fol. | Amount. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1906 Jan. 1 | To Goods ..... | 8 | 150 | - | - | | | | | | |

**Dr.** **Asa Clay,** 20 South Lane, Hull. **Cr.**

| Date. | Particulars. | Fol. | Amount. £ | s. | d. | Date. | Particulars. | Fol. | Amount. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 1906 Jan. 1 | By Goods ..... | 3 | 56 | - | - |

**10.** In starting or **opening** an account in the Ledger the first thing to be done is to name or **label** it, as shown in the above examples. Just as a grocer would be careful not to put cayenne into a drawer labelled "Snuff," so you must be careful not to record Sykes' transactions in Clay's account, or *vice versa*.

**11.** The word **DEBTOR,** used as a noun, means one *who owes value to another ;* as an adjective when referring to the debit or left-hand side of an A/c. A **debit** is a charge ; hence a person must be debited with what he receives. **To debit** is to charge against, to enter or set down a sum on the debit or left-hand side of an A/c. You will notice from the first account that Sykes, your customer, is " **Dr. To** Goods, £150," which means that he is **Debtor** or **owes** this amount to the owner of the Ledger.

The word **CREDITOR** means one *to whom value is owing.* The credit side (**Cr.**) of an A/c. is the right-hand side. **To credit** is to enter or set down a sum on the Cr. or right-hand side. Clay's account shows him to be " **Cr. By** Goods, £56," which means that he is **Creditor** or is **owed** this amount by the owner of the Ledger.

**12.** The student must bear in mind that each transaction must be considered as having **no connection** whatever with any that precedes or follows ; and must therefore treat each one as *standing alone ;* otherwise the terms **Dr.** and **Cr.** may appear conflicting.

**13. LEDGER ACCOUNTS** may be divided into **two** great classes ; **Personal,** those having to do with persons, such as merchants and customers ; and **Impersonal,** those *not* having to do with persons, such as goods, cash, capital, profit and loss, &c. **Impersonal A/cs.** may be further divided into **Real A/cs.** and **Nominal A/cs.** Therefore, however numerous and varied the a/cs. in the Ledger may be they can all be resolved into **three** classes :—

1. **Personal,** which record transactions with the persons and firms with whom a trader deals ; that is, with *debtors* (customers) and *creditors.*
2. **Real or Property,** which contains a record of property, possessions or things **owned** by the **trader** as Cash, Goods, Raw Materials, Leases, Buildings, Land, Ships, Furniture, Plant, Machinery, Stores, Stocks and Shares, Cattle, Bills of Exchange, Goodwill, Patents, Copyright, Trade Marks, &c.

3. **Nominal, Fictitious,** or **Proprietary,** which record the **gains** and **losses,** also the **net worth** of the **trader,** and which supply the results of the trading, such as the Trading A/c., Profit and Loss A/c., or the subdivisions thereof, as Trade or General Expenses, Interest, Discount, Wages, Bad Debts, Depreciation, Repairs, Renewals, Rates and Taxes, Rents, &c.

**14.** It will be found instructive in working the following exercises, to regard yourself as A. Pupil, a merchant, whose books you are engaged in entering up. This will prove particularly helpful in deciding the question of Debtor and Creditor.

In order that you may, at once, become familiar with the method of keeping a/cs. in the **principal book,** the **Ledger,** I will first of all place before you a few illustrations and exercises on the three classes of a/cs.—Real, Personal, Nominal. First, a **Real** A/c.—

**15. CASH.** As the receipt and payment of Cash are two of the commonest transactions, I will narrate a few, from which you will arrange a Cash A/c., remembering to **debit** yourself with what comes **In,** viz., *Receipts ;* and to **credit** yourself with what goes **Out,** viz. :—*Payments.*

**Exercise 1.**

| | | | |
|---|---|---|---|
| 1906. | May 1. | Cyril Dodd pays me ... | £25 |
| | ,, 2. | Dan Cross do. ..... | 30 |
| | ,, 3. | I pay Sam Tate..... | 30 |
| | ,, 4. | Do. John Green..... | 15 |
| | ,, 5. | Do. Henry Wild ..... | 5 |
| | ,, 6. | Ben Thorp pays me .... | 10 |
| | ,, 7. | Levi Read do. ..... | 18 |

**Dr.** **My Cash A/c.** **Cr.**

| 1906 | In. Receipts. | £ | s. | d. | 1906 | Out. Payments. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| May1 | To C. Dodd | 25 | - | - | May 3 | By S. Tate | 30 | - | - |
| 2 | ,, D. Cross | 30 | - | - | 4 | ,, J. Green | 15 | - | - |
| 6 | ,, B. Thorp | 10 | - | - | 5 | ,, H. Wild | 5 | - | - |
| 7 | ,, L. Read | 18 | - | - | | | | | |

It is quite clear that you *received* items 1, 2, 6, 7, and therefore **debited** your Cash A/c.; and that items 3, 4, 5, were *payments* which required to be **credited.**

**16.** You will notice that the word **TO** is prefixed to each entry on the **Dr.** or *left-hand side*; and that the word **BY** is prefixed to each entry on the **Cr.** or *right-hand side* of the above a/c.

You must *never use the name of an a/c. in that a/c.:* thus in the Cash A/c. you must not enter "To" or "By Cash." The fact that an amount requires entering in the Cash A/c. is proof that it is cash. In every a/c. you must show **To** whom or what the a/c. is **Dr.,** and **By** whom or what the a/c. is **Cr.**: in other words the *source* of its *receipts* and the *object* of its *payments.* Therefore the first receipt is read thus: "Cash A/c., Dr. **To** C. Dodd for Cash received from him, £25," and the first payment thus: "Cash A/c., Cr. **By** S. Tate for cash paid him £30."

**17.** The sum of your wealth is called your **Capital;** therefore when opening a Cash A/c. with "Cash in hand," you must not enter your name opposite that sum, but must use either the words, *To Capital,* or *To Balance,* £33.

Arrange two Cash A/cs. from the following:—

**Exercise 2.**

| | | | | |
|---|---|---|---|---|
| 1906. | May | 8. | Cash in hand ..... | £33 |
| | ,, | 8. | Paid T. Hall ..... | 20 |
| | ,, | 9. | Do. A. Gee ..... | 10 |
| | ,, | 10. | Received of Cook & Co. | 70 |
| | ,, | 11. | Sent to F. Wood ..... | 25 |
| | ,, | 12. | Z. Muir pays me ..... | 16 |
| | ,, | 13. | H. Sykes gives me ..... | 25 |
| | ,, | 14. | Paid into Bank ..... | 60 |

**Exercise 3.**

| | | | | |
|---|---|---|---|---|
| 1906. | May | 15. | I have Cash ..... | £29 |
| | ,, | 16. | I pay A. Hill ..... | 13 |
| | ,, | 17. | Received of A. Clay .. | 36 |
| | ,, | 18. | Evans & Co. pay me .. | 28 |
| | ,, | 19. | Paid for Wages ..... | 10 |
| | ,, | 20. | Do. Goods ..... | 47 |
| | ,, | 21. | Received for Goods ... | 39 |
| | ,, | 22. | Deposited in Bank .... | 62 |

**18. BALANCING.** Now return to Exercise 1, as worked in your Manuscript book, and add up both sides of the a/c. Place the total of the Cr. side underneath the total of the Dr. side, on a piece of paper. Subtract one total from the other, and find the difference as follows :—

| | |
|---|---|
| Dr. Side ..... | £83 |
| Cr. „ ..... | 50 |
| Difference ..... | £33 |

This difference of £33 is the **balance,** and the Cr. side being the lesser by that sum, it requires placing on that side, prefaced by the words *By Balance*, in order to make the two sides equal. Then insert the total £83, at the foot of both sides, as shown in the example below, and rule off the total in *red ink*. This operation of equalising the two sides of an a/c. is known as "balancing," **c/d.** means *carried down.* and **b/d.** *brought down.*

The £33 represents the amount you should have in the cash box, which you should count and check off. The a/c. will now appear thus :—

Dr. **My Cash A/c.** Cr.

| 1906 | In. | | £ | s. | d. | 1906 | Out. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Receipts. | | | | | | Payments. | | | | |
| May 1 | To C. Dodd | | 25 | - | - | May 3 | By S. Tate | | 30 | - | - |
| „ 2 | „ D. Cross | | 30 | - | - | „ 4 | „ J. Green | | 15 | - | - |
| „ 6 | „ B. Thorp | | 10 | - | - | „ 5 | „ H. Wild | | 5 | - | - |
| „ 7 | „ L. Read | | 18 | - | - | | „ *Balance* | c/d | 33 | - | - |
| | | £ | 83 | - | - | | | £ | 83 | - | - |
| | To Balance | b/d | 33 | - | - | | | | | | |

Balance Exs. 2 and 3. You will find that there is no difference between the two sides of Ex. 3, in which case we say that the a/c. "balances." It therefore only requires the totals inserting at the foot of the a/c.

**19. GOODS A/C.** or **TRADING A/C.** Commercial transactions consist largely of the purchase and sale of

articles of trade or merchandise. I will therefore now consider another **Real** a/c., Goods. Its **objects** are :—

1. To register the amount of **Purchases** and **Sales.**
2. To display the **gross profit** realised, or the **gross loss** sustained.

The same rule for making entries applies to the Goods A/c. or Trading A/c. as applies to the Cash A/c. ; in fact, it applies to all Real A/cs., viz. : What comes **In** or is purchased is **Dr.,** and what goes **Out** or is sold is **Cr.**

The word **Goods** as used here, is the *general* term meaning any kind of merchandise, commodities, or wares. If you were a coal merchant, however, you would use the *specific* name, "Coal A/c." Goods sold for ready money are **Cash Sales ;** those sold for future payment are called **Credit Sales.**

Remembering par. 16, you will proceed to enter up the following transactions of A. Pupil :—

**Exercise 4.**

| | | | |
|---|---|---|---|
| 1906. | Jan. 1. | Bought Goods of A. Lee ... | £200 |
| | ,, 2. | Sold Goods to T. Day ..... | 50 |
| | ,, 3. | Sold Goods for Cash ..... | 18 |
| | ,, 4. | Purchased Goods of F. Lunn | 45 |
| | ,, 5. | Bought Goods for Cash .... | 23 |
| | ,, 6. | Sold Goods to H. Kaye ... | 100 |

The above would be entered thus :—

**Dr.** **My Goods A/c. or Trading A/c.** **Cr.**

| 1906 | In. Purchases. | £ | s. | d. | 1906 | Out. Sales. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To A. Lee .. | 200 | - | - | Jan. 2 | By T. Day.. | 50 | - | - |
| ,, 4 | ,, F. Lunn | 45 | - | - | ,, 3 | ,, Cash.... | 18 | - | - |
| ,, 5 | ,, Cash.... | 23 | - | - | ,, 6 | ,, H. Kaye | 100 | - | - |

You will observe that you were the **Receiver** of items 1, 4, 5, which came **In,** or were *purchased* by you, and therefore required *debiting* : and that you were the **Giver** of items 2, 3, 6, which went **Out** or were *sold* by you, and therefore required *crediting.*

**20. BALANCING.** The first object of a Goods A/c. or Trading A/c. being attained you must now proceed to ascertain the **gross profit** you have realised on the above transactions. If you deduct the total of the Sales from the total of the Purchases you will find that the difference is £100. This amount does *not*, however, represent the value of the unsold goods, which you must assess for yourself. To enable you to do this, it will be necessary for you to go into your warehouse or shop, and make a detailed list of the **stock-in-trade,** *i.e.*, the goods you have left, which you find to be worth £120. You will recollect in Ex. 1, that you had in your cash box the sum of £33, which you placed on the Cr. side of your cash A/c. in order to balance it. You now find in your warehouse a *balance* or **stock of goods,** value £120, which you will similarly place on the **Cr.** side of your Goods A/c. or Trading A/c. as follows :—

*By Balance* (*Stock*) £120.

This amount represents either the **cost price** or the **current market price,** if that be lower than the cost, of the goods on hand, sometimes called the **closing stock.** You will now total both sides of the a/c. on a slip of paper as follows :—

| | |
|---|---|
| Total of **Cr.** side ..... | £288 |
| „ **Dr.** „ ..... | 268 |
| Difference ..... | £20 |

Unlike the Cash A/c. you will find that the insertion of the value of the "Goods on hand, £120," does not make the two totals equal each other. Why is this ? Because, while the *difference* between the two sides of a Cash A/c. is simply an excess of receipts over payments, the difference between the two sides of a Goods A/c. (after inserting the balance or stock) is **either a gain or a loss.** If you sold your goods for exactly the same price as you gave for them, then the Goods A/c. would balance ; but you generally dispose of them at an increase upon the purchase price, consequently the Cr. side exceeds the Dr. side, the difference being a **gross profit.** In this case you effected three sales, charging

your customers, altogether, £20 more for the goods than you gave for them, and therefore gained £20, which enter on the Dr. side of your Goods A/c. as follows :—*To Gross Profit* £20. Then insert the total, £288, at the foot of both sides, when the a/c. will appear thus :—

**Dr. My Goods A/c. or Trading A/c. Cr.**

| 1906 | In. Opening Stock & Purchases. | | £ | s. | d. | 1906 | Out. Sales and Closing Stock. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan 1 | To A. Lee .. | | 200 | - | - | Jan. 2 | By T. Day.. | | 50 | - | - |
| ,, 4 | ,, F. Lunn | | 45 | - | - | ,, 3 | ,, Cash.... | | 18 | - | - |
| ,, 5 | ,, Cash.... | | 23 | - | - | ,, 6 | ,, H. Kaye | | 100 | - | - |
| | ,,*Gross Profit* | | 20 | - | - | | ,, *Bal.(stock)* | c/d | 120 | - | - |
| | | £ | 288 | - | - | | | £ | 288 | - | - |
| | To Balance | b/d | 120 | - | - | | | | | | |

Arrange two Goods A/cs. or Trading A/cs. from the following Exs. "Goods on hand," called the **Opening Stock,** must be entered *To Stock* in accordance with par. 17. In Ex. 6 you will find that a **loss** was sustained, and that the difference between the two sides will require entering on the same side as the stock—the Cr. side.—*By Gross Loss* £6.

**Exercise 5.**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1906. | Jan. | 7. | Goods on hand ..... | £120 | – | – |
| | ,, | 8. | Bought Goods for Cash .. | 40 | – | – |
| | ,, | 9. | Goods sold to A. Hall ... | 37 | 6 | 6 |
| | ,, | 10. | Sold Goods for Cash .... | 15 | 3 | 6 |
| | ,, | 11. | Bought Goods of D. East | 70 | – | – |
| | ,, | 12. | Sold Goods to Kaye & Co. | 153 | – | – |
| | ,, | 13. | Do. Scott & Co. | 28 | – | – |
| | | | Value of Stock..... | 31 | 10 | – |

**Exercise 6.**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1906. | Jan. | 14. | Goods on hand ..... | £31 | 10 | – |
| | ,, | 15. | Bought Goods of Sims & Co. | 53 | 10 | – |
| | ,, | 16. | Sold Goods to J. Knox .. | 30 | – | – |
| | ,, | 17. | Bought Goods of Smith Bros. | 45 | – | – |
| | ,, | 18. | Sold Goods to T. Smith | 64 | – | – |
| | ,, | 19. | Do. C. Waite | 9 | – | – |
| | ,, | 20. | Do. for Cash .. | 5 | – | – |
| | | | Stock valued at ..... | 16 | – | – |

**21. PERSONAL A/CS.,** by reason of including all your **customers,** are the most numerous of the three classes of a/cs. and occupy by far the greater part of your Ledger. Their **object** is to record all your pecuniary transactions with the **persons** or **firms** from whom you purchase ; to whom you sell ; or in any other way have financial dealings ; so that at any time you may readily ascertain whether the person named at the head of the account owes you a balance, or you owe him a balance, *i.e.*, whether he is a *debtor* or a *creditor*.

The **account** of the **person receiving** value **from you** must be **debited** with whatever you may have given, whether it be cash, goods, or bills of exchange ; and on the contrary the **account** of the **person giving** value to **you** must be **credited** with whatever you may have received, whether it be cash, goods, or bills of exchange. In other words, value **In** is **Dr.,** value **Out** is **Cr.**

**Exercise 7.**

| | | | | | |
|---|---|---|---|---|---|
| 1906. | April 1. | Sold Goods to Henry Gill | £10 | – | – |
| | ,, 2. | Do. do. | 3 | 5 | – |
| | ,, 3. | Received of H. Gill, Cash | 10 | – | – |
| | ,, 4. | Sold Goods to H. Gill ... | 8 | 15 | – |
| | ,, 5. | Received Cash of H. Gill | 3 | 5 | – |
| | ,, 6. | Sold Goods to do. | 4 | – | – |
| | ,, 7. | Received Cash of do. | 8 | 15 | – |

Ledger a/c. of this Customer would appear thus :—

**Dr.** Henry Gill, 12 East Parade, Leeds. **Cr.**

| | GILL'S | | | | | GILL'S | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1906 | Receipts. | £ | s. | d. | 1906 | Payments. | £ | s. | d. |
| April 1 | To Goods .. | 10 | - | - | April 3 | By Cash.... | 10 | - | - |
| ,, 2 | ,, do. .. | 3 | 5 | - | ,, 5 | ,, do. .... | 3 | 5 | - |
| ,, 4 | ,, do. .. | 8 | 15 | - | ,, 7 | ,, do. .... | 8 | 15 | - |
| ,, 6 | ,, do. .. | 4 | - | - | | | | | |

Value came **In** to the a/c. of *Gill*, who was the **Receiver** of items 1, 2, 4, 6, which therefore required **debiting ;** while value went **Out** of the a/c. of *Gill*, who was the **Giver** of items 3, 5, 7, which therefore required **crediting.**

**22.** It is now for you to ascertain whether Gill owes you anything or not, by **balancing** as follows :—

The total of the **Dr.** side is..... £26
And the total of the **Cr.** side is ..... 22

Leaving a **Dr.** Balance owing by Gill of £4

which requires placing on the **Cr.** side, and the a/c. totalling and ruling off in *red ink*, thus :—

**Dr.** **Henry Gill, 12 East Parade, Leeds.** **Cr.**

| | GILL'S | | | | | | GILL'S | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1906. | **Receipts.** | | £ | s. | d. | 1906. | **Payments.** | | £ | s. | d. |
| April 1 | To Goods.. | | 10 | - | - | April 3 | By Cash .. | | 10 | - | - |
| ,, 2 | ,, do. .. | | 3 | 5 | - | ,, 5 | ,, do. .. | | 3 | 5 | - |
| ,, 4 | ,, do. .. | | 8 | 15 | - | ,, 7 | ,, do. .. | | 8 | 15 | - |
| ,, 6 | ,, do. .. | | 4 | - | - | | ,, *Balance* . | c/d | 4 | - | - |
| | | £ | 26 | - | - | | | £ | 26 | - | - |
| April 7 | To Balance | b/d | 4 | - | - | | | | | | |

"*By Balance* £4" represents the amount *owing* by *Gill* to you. It is called a **Debit** *balance*, which is the balance of an a/c. when the debit side exceeds the credit. A personal a/c. may have a balance on either side, or there may be no balance at all. When the *Cr. side exceeds the Dr.*, as in Ex. 8, it is called a **Credit** *balance*, and in this instance *you would be owing Gill* £9.

In Ex. 9 both sides equal each other, therefore the a/c. "balances," and no indebtedness exists.

**23. BALANCES CARRIED DOWN.** When a merchant balances and rules off his books he always "carries forward" or "brings down" the balances of his *Real* and *Personal* a/cs. to the **opposite side** of each a/c. These balances thereby form the first entries in the new a/cs. See Cash, Goods, and Gill's a/cs. Why should the £4 be carried down to the Dr. side of the latter a/c. ? Because Gill is indebted to or owes you £4. If you will refer to Gill's a/c. before it was balanced, you will clearly see that he received from you four lots of Goods, and he only paid for three lots,

thereby creating a *debit balance* of £4. Therefore, in opening the new a/c. with a debit balance of £4, you are only putting that amount in *precisely the same position* it was in before you balanced his a/c. The operation of balancing is one of convenience only, and must never alter the **facts** or the state of an a/c. The **object** of **balancing** is merely to show the amount due on a given date.

When a set of transactions commences with "He owes me," or "I owe him," the words *To* or *By Balance* should be used. Compile my a/cs. with Gill and balance each of them.

**Exercise 8.**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1906. | April | 8. | Henry Gill owes me .... | £4 | – | – |
| | „ | 9. | Sold Goods to him..... | 15 | – | – |
| | „ | 10. | Do. ..... | 7 | – | – |
| | „ | 11. | Bought of Gill, Goods .. | 20 | – | – |
| | „ | 12. | Received Cash from Gill | 6 | – | – |
| | „ | 13. | Sold Goods to Gill ..... | 31 | 6 | 8 |
| | „ | 14. | Bought Goods from him | 40 | 6 | 8 |

**Exercise 9.**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1906. | April | 15. | I owe Henry Gill ..... | £9 | – | – |
| | „ | 16. | Bought Goods from him | 23 | 10 | – |
| | „ | 17. | Sold him Goods ..... | 21 | 10 | – |
| | „ | 18. | Paid Cash to Gill ..... | 11 | – | – |
| | „ | 19. | Sold Goods to Gill ..... | 16 | 10 | – |
| | „ | 20. | Do. ..... | 15 | 10 | 6 |
| | „ | 21. | Received Cash from Gill | 32 | – | 6 |

**24.** There now only remains one other class of a/cs. with which to deal, viz.:—**PROPRIETARY or NOMINAL A/cs.** These are accounts of neither persons nor things, but chiefly statements of income and expenditure, their object being to supply the **Proprietor** of the **business** with the **results** of his **trading,** as well as to show *how* such results are obtained. The principal proprietary a/cs. are Capital, Trading, and Profit & Loss; together with the subdivisions of the latter, as Carriage and Cartage, Freight, Trade or General Expenses, Wages, Interest, Discount, Commission, Bad Debts, Fuel, Lighting, Rents, Rates and Taxes, Repairs, Depreciation, Advertising and Stationery, Travelling Expenses, Office Expenses, Stable Expenses, &c.

**25.** The **PROFIT & LOSS A/c.** has for its **object** the *collection* and presentation of all your **losses** or **expenses** and all your **gains** or **profits** in one concise view, so as to display the **net profit** realised, or the **net loss** sustained for a given period. The word **loss** when applied to book-keeping has a far wider application than when generally used ; in fact, it expresses the opposite of gain. If a customer failed to pay for goods sold that would be a loss ; but this word is also used in reference to the **cost** and **expenses** of carrying on a business ; for instance, wages, coal, rent, taxes, repairs, advertising, all of which are regarded as losses ; although *materials* or *services* are, of course, given in exchange for such payments.

**SEPARATE A/CS.,** known as subsidiary a/cs., are frequently kept (to relieve the P. & L. A/c. of unnecessary details) for Trade or General Expenses, Interest, Discount, Commission, Bad Debts, Wages, Repairs, Lighting, Fuel, Carriage, Advertising, Dividends, &c., but the *balance* of *each* such *subdivision* is always *transferred* to the P. & L. A/c. on balancing the books.

The rule of Receiver and Giver relating to Real and Personal A/cs. does *not* apply when entering profit and loss transactions. The rule you must observe here is **debit** all **losses** or **expenses,** and **credit** all **gains.**

If you commenced business with £500, and the first month lost £50, you can easily see that some A/c. would require debiting with the loss, therefore you debit *your* P. & L. A/c. On the contrary, if you gained £50 it would be to your credit, and you would accordingly credit your P. & L. A/c.

Arrange your Profit & Loss A/c. from the following :

**Exercise 10.**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1906. | Jan. | 7. | Paid for Wages ..... | £3 | 10 | 6 |
| | ,, | 9. | Do. Gas ..... | – | 15 | – |
| | ,, | 12. | Do. Rent ..... | 10 | – | – |
| | ,, | 14. | Do. Wages ..... | 3 | 10 | 6 |
| | ,, | 15. | Do. Rates ..... | 1 | 1 | – |
| | ,, | 31. | I have allowed Discounts | – | 10 | – |
| | ,, | 31. | Discounts allowed me ... | 5 | 8 | – |
| | ,, | 31. | Gross Profit on Goods ... | 20 | – | – |
| | ,, | 31. | Commission earned by me | 6 | – | – |

The above transactions would be entered thus :—

**Dr.** **My Profit & Loss A/c.** **Cr.**

| 1906. | LOSSES OF THE BUSINESS. | £ | s. | d. | 1906. | GAINS OF THE BUSINESS. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Wages.... | 3 | 10 | 6 | Jan.31 | By Discounts.. | 5 | 8 | - |
| „ 9 | „ Gas ..... | - | 15 | - | „ „ | „ Goods A/c.. | 20 | - | - |
| „ 12 | „ Rent .... | 10 | - | - | „ „ | „ Commission | 6 | - | - |
| „ 14 | „ Wages.... | 3 | 10 | 6 | | | | | |
| „ 15 | „ Rates .... | 1 | 1 | - | | | | | |
| „ 31 | „ Discounts .. | - | 10 | - | | | | | |

Your Capital was *diminished* by the first six items, which were **losses,** and with which you have **debited** yourself ; while it was *increased* by the last three items, which were **gains,** and with which you have **credited** yourself.

**26. BALANCING.** Having thus set forth all your losses and gains you must now ascertain whether your business has resulted in a *net* loss or gain. You will add up both sides of the a/c., place the totals on a slip of paper, and find the difference, thus :—

| | | |
|---|---|---|
| Total of **Cr.** side ..... | £31 | 8 – |
| „ **Dr.** „ ..... | 19 | 7 – |
| Difference .... | £12 | 1 – |

This difference represents a clear gain or profit to you which must be entered on the **Dr.** side *To Net Profit to Capital A/c.* £12 1s. 0d. ; after which insert the two equalised totals, when the account will stand thus :—

**Dr.** **My Profit & Loss A/c.** **Cr.**

| 1906. | Expenses or Losses. | £ | s. | d. | 1906. | Profits or Gains. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Wages.... | 3 | 10 | 6 | Jan.31 | By Discounts.. | 5 | 8 | - |
| „ 9 | „ Gas ..... | - | 15 | - | „ „ | „ Goods A/c.. | 20 | - | - |
| „ 12 | „ Rent .... | 10 | - | - | „ „ | „ Commission | 6 | - | - |
| „ 14 | „ Wages.... | 3 | 10 | 6 | | | | | |
| „ 15 | „ Rates .... | 1 | 1 | - | | | | | |
| „ 31 | „ Discounts | - | 10 | - | | | | | |
| | „ *Net Profit to Capital A/c.* | 12 | 1 | - | | | | | |
| | £ | 31 | 8 | - | | £ | 31 | 8 | - |

The **difference** existing between the two sides of a Profit & Loss A/c., is always called *To* or *By Capital A/c.*, because it *represents either an increase or decrease of your, the Trader's, Capital* or wealth. The above a/c. shows you to be richer, and consequently possessed of more Capital at the close of the month by £12 1s. 0d. than you were at the beginning.

Prepare two P. & L. A/cs. showing *net* gain or loss :

**Exercise 11.**

| | | | | | |
|---|---|---|---|---|---|
| 1906. | Feb. 10. | Paid for Salaries ..... | £6 | 6 | – |
| | „ 15. | Do. Advertising ... | 5 | – | – |
| | „ 18. | Do. Repairs ..... | 8 | – | – |
| | „ 24. | Do. Salaries ..... | 6 | 6 | – |
| | „ 28. | Do. Trade Expenses | 15 | 6 | 8 |
| | „ 28. | Discounts allowed to me | 1 | – | – |
| | „ 28. | Gross Profit on Cloth .. | 35 | – | – |

**Exercise 12.**

| | | | | | |
|---|---|---|---|---|---|
| 1906. | Mar. 31. | Paid for Rent ..... | £300 | – | – |
| | | Do. Taxes ..... | 40 | – | – |
| | | Do. Coal and Gas .. | 35 | – | – |
| | | Do. Insurance ..... | 26 | – | – |
| | | Do. Wages ..... | 1125 | – | – |
| | | Discount allowed to customers..... | 137 | – | – |
| | | Profit realised on Soap | 1020 | – | – |
| | | Do. Candles | 1341 | – | – |
| | | Commission received by me | 243 | – | – |
| | | Discounts allowed to me | 93 | – | – |

**27. CAPITAL** is the term used in reference to wealth invested or adventured by a person or company in any business or undertaking. It is the excess or **surplus** of what you **have** over what you **owe.**

**28. CAPITAL A/c.** No Ledger would be complete which did not contain this most important a/c. with yourself as owner or proprietor of the business, showing your **net worth.** Although the Capital A/c. is properly referred to as an Impersonal A/c., it is really **your Personal A/c.** with the **business ;** for whatever you invest in, or advance to, a business, you ultimately expect to receive back, with interest and profit.

When opening a Capital A/c. you **credit** yourself with the net amount you invest in the business. On balancing the Ledger you transfer the *difference* of the P. & L. A/c. to the Capital A/c. (Par. 26.) Should

the difference be a **net gain,** your capital would be thereby increased, and you could credit the Capital A/c. with the amount ; but if, on the contrary, the difference were a **loss,** your capital would be thereby decreased, and you would debit the Capital A/c. with the amount.

If, while carrying on your business, you **withdrew** any cash to live upon, or took from your stock any goods, these amounts, *not* being expenses of or connected with the business, would be called **private or personal expenses,** and as they would diminish your Trading Capital, they would require debiting against your Capital A/c. Arrange and balance your Capital A/c.

**Exercise 13.**

| | | | | | |
|---|---|---|---|---|---|
| 1906. | Jan. 1. | I commence business with Cash .... | £328 | 19 | - |
| | ,, 31. | My profit for the month is ..... | 12 | 1 | - |
| | ,, ,, | I have withdrawn for private expenses | 4 | - | - |

These three items would be entered thus :—

**Dr.** **My Capital A/c.** **Cr.**

| 1906 | Withdrawals and Net Loss. | | £ | s. | d. | 1906 | Capital and Net Profit. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 31 | To Cash .. | | 4 | - | - | Jan. 1 | By Cash .. | | 328 | 19 | - |
| | ,, *Balance* | c/d | 337 | - | - | ,, 31 | ,, Net Profit from P. & L. A/c... | | 12 | 1 | - |
| | | £ | 341 | - | - | | | £ | 341 | - | - |
| | | | | | | Feb. 1 | By Balance | b/d | 337 | - | - |

From the foregoing a/c. you will see that your Capital was increased by the Net Profit to £341, and decreased by the withdrawal for private expenses to £337 ; showing the **net increase** of your Trading Capital to be £8 1s. 0d.

Prepare and complete your two Capital A/cs.

**Exercise 14.**

| | | | | | |
|---|---|---|---|---|---|
| 1906 | Feb. 1. | I started business with a balance of | £337 | - | - |
| | ,, 28. | I lost during the month ..... | 30 | - | - |
| | | My Private Expenses were ..... | 6 | - | - |

**Exercise 15.**

| | | | | | |
|---|---|---|---|---|---|
| 1906. | Mar. 1. | Cr. Balance..... | £301 | - | - |
| | ,, 31. | Net Profit ..... | 100 | - | - |
| | | Withdrew for self ..... | 20 | - | - |

**29. A BALANCE SHEET (B/S.)** is a statement at a given date showing the position of a business in relation to its proprietor and other parties. As its name implies, it is used for gathering together all the differences, or "balances" shown in **Real** and **Personal A/cs.,** with the object of finding out whether you are solvent or insolvent; if the former what is the amount of your **net** or **trader's capital,** if the latter what is the amount of your **deficiency.** It is a list of **assets** (*i.e.*, what you have of value, and what is owing to you by your debtors) and **liabilities** (*i.e.*, what you owe to your creditors).

All the balances "carried down" from the Cr. to the Dr. side of the various a/cs. are called **debit balances,** and are your **Assets;** while all the balances "carried down" from the Dr. to the Cr. side of the various a/cs. are called **credit balances,** and are your **Liabilities.**

A Balance Sheet is *not* an a/c., but simply a statement at a given date, showing the **Liabilities** on the **left-hand side,** and the **Assets** on the **right-hand side.** You must *not* head a Balance Sheet with "Dr." and "Cr." *nor* use the words "To" or "By" because these terms would convert the Sheet into an Account. Compile your Balance Sheet from the following:—

**Exercise 16.**

| | | | | | |
|---|---|---|---|---|---|
| 1906. Jan. 31. | Balance of Cash | | £129 | – | – |
| | Closing Stock of Goods | | 273 | – | – |
| | Balance owing by | Harry Gill to me | 100 | – | – |
| | Ditto | Dan Bates do. | 37 | – | – |
| | Ditto | Fred Oates do. | 18 | – | – |
| | Balance owing to | Mat Long | 84 | – | – |
| | Ditto. | Sam Shaw | 111 | – | – |
| | Ditto | Fred Dean | 25 | – | – |

The above may be entered thus:—

**Balance Sheet** of ALBERT PUPIL, on 31st January, 1906.

| **Liabilities.** (What the Business owes) | £ | **Assets.** (What the Business owns) | £ |
|---|---|---|---|
| Owing to Mat Long | 84 | Cash in hand | 129 |
| Do. Sam Shaw | 111 | Goods in stock | 273 |
| Do. Fred Dean | 25 | Harry Gill owes | 100 |
| | | Dan Bates owes | 37 |
| | | Fred Oates owes | 18 |

**30. BALANCING.** Before you can ascertain whether you are **solvent** (*i.e.*, able to pay 20/- in the £) or **insolvent** (*i.e.*, unable to pay 20/- in the £) it will be necessary to total both sides and see which is the greater. When the Assets side *exceeds* the **Liabilities** side you are said to be **solvent ;** and when the *reverse* is the case you are said to be **insolvent.** The **difference** is the *extent* of your *Capital* or *Deficiency*. In this case the Assets exceed the Liabilities by £337, which shows you to be worth that amount. This difference must be entered on the left side, using the word *Capital*. Then insert the totals as shown below, and rule off in *red ink*.

Balance Sheet of ALBERT PUPIL, on 31st January, 1906.

| Liabilities. (What the Business owes) | £ | Assets. (What the Business owns) | £ |
|---|---|---|---|
| Mat Long | 84 | Cash | 129 |
| Sam Shaw | 111 | Goods | 273 |
| Fred Dean | 25 | Harry Gill | 100 |
| DIFFERENCE : *Capital of the Proprietor of the Business* | 337 | Dan Bates | 37 |
| | | Fred Oates | 18 |
| £ | 557 | £ | 557 |

Had your Liabilities exceeded your Assets by £337, then you would have been insolvent. The difference would have required entering on the other side ; *Deficiency* £337. If both sides of your Balance Sheet equalled each other, you would still be solvent, because you could discharge your Liabilities in full, but you would have no Capital or estate, no surplus or excess.

From the following construct two Balance Sheets and show the extent of your Capital or otherwise.

**Exercise 17.**

1906. March 31. I have Cash in hand, £70 6s. 8d. ; Coal unsold, £68 ; Value of Wagons, £80 ; Value of Horses and Carts, £130 ; Debts owing to me, £84 13s. 4d. ; I owe Leeds Coal Co., £348 ; I owe Rent, £50 ; I owe L. & Y. Rly. Co., £27 ; I owe City Bank, £345.

### Exercise 18.

1906. June 30. I have Cash in Bank, £60, and on hand, £25; Value of my Goods, £320; Frank Gale owes me £93; Chas. Sterne owes me £29; Value of my Shop, £240.

Credit balances as follows:—Mat Carr, £98; Fred Hall, £103; Tom Brown, £400; Chas. Pears, £130; Abe Kerr, £36.

### Exercise 18a.

Prepare Capital, Cash, Goods, Personal, and P. & L. A/cs.; also Balance Sheet from the following:—

1906. Dec. 1st. Cash in hand, £100; 3rd, Bought Goods for Cash, £20; 5th, Sold Goods for Cash, £15; 7th, Bought Goods of John Ellis, £80; 10th, Sold Goods to Harry France, £50; 15th, Paid J. Ellis, £50; 18th, Received from H. France, £25; 22nd, Bought Goods for Cash, £10; 26th, Sold Goods to H. France, £45; 28th, Bought Goods of J. Ellis, £35; 30th, Sold Goods for Cash, £25; 31st, Paid Rent, £1; Paid Trade Expenses, £6; Value of Stock, £40.

**Answers to Exercises 20 to 32.** (See pages 109 to 135)

| No. of Ex. | Gross Profit in Goods or Trading A/c. | | | | Net Gain. P. & L. A/c. | | | Balance of Capital A/cs. | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| 20 | ..... | 50 | 14 | 4 | 32 | 10 | 2 | 575 | 10 | 2 |
| 21 | ..... | 92 | 14 | 8 | 69 | 19 | 4 | 645 | 9 | 6 |
| 22 | ..... | 196 | 3 | 8 | 151 | 8 | 8 | 2151 | 8 | 8 |
| 23 | ..... | 58 | 12 | - | 22 | 12 | 6 | 725 | 7 | 6 |
| 24 | ..... | 352 | 15 | - | 126 | 5 | 9 | 1983 | 19 | 9 |
| 25 | ..... | 232 | 15 | - | 105 | 19 | 2 | 1037 | 2 | 11 |
| | | | | | | | | 1037 | 2 | 11 |
| 26 | ..... | 104 | 6 | 6 | 26 | 11 | 6 | 1026 | 11 | 6 |
| 27 | Tea ..... | 120 | - | - | 85 | 11 | 8 | 1969 | 1 | 8 |
| | Sugar .... | 30 | - | - | | | | | | |
| | Coffee .... | 46 | - | - | | | | | | |
| 28 | Dyewoods . | 288 | 11 | 8 | 368 | 8 | 4 | 1479 | 10 | 8 |
| | Colours .. | 189 | 8 | 2 | | | | 1590 | 3 | 7 |
| 29 | Port ..... | 342 | 3 | 9 | 265 | 15 | 9 | 4124 | 17 | - |
| | Sherry .. | 251 | 14 | 4 | | | | | | |
| 30 | Tea ..... | 113 | - | - | 175 | 15 | 9 | 2360 | 15 | 9 |
| | Coffee .... | 87 | 17 | 6 | | | | | | |
| | Cocoa .... | 36 | - | - | | | | | | |
| 31 | Tobacco .. | 124 | 1 | 2 | 209 | 11 | 8 | 1868 | 1 | 3 |
| | Cigars .... | 144 | 17 | 2 | | | | 1238 | 14 | 2 |
| | Cigarettes . | 69 | 14 | 2 | | | | | | |
| 32 | Bengal .... | 149 | 9 | 3 | 9 | 7 | - | 5025 | 10 | 2 |
| | Kurpah .. | 179 | 1 | 4 | | | | 467 | 6 | 9 |
| | Madras .. | 79 | 9 | 9 | | | | 517 | 8 | 5 |

**CARRIAGE** is placed to a separate a/c. in the above exercises, and not included in the Goods or Trading A/c.

## THEORETICAL BOOK-KEEPING.

**31.** There is **only one system** of Book-keeping, and that is generally known by the name of **double entry,** a *two-fold entry* being necessary because it takes **two** to make a transaction.

The term *Single Entry* is, however, so frequently used that it is necessary to caution you against this misnomer. **Single Entry** is the very reverse of a *system*, being the name applied to every faulty, incomplete, inaccurate, unscientific and unsystematic style of account-keeping, in the application of which there is generally a combination of no entry, single entry, and double entry. Strictly speaking, "single entry" merely keeps **personal** accounts, which enable you to ascertain the debit or credit of the firms with whom you trade, and absolutely fails to keep any **impersonal** accounts whatever. The principal objections to this system are its incompleteness in only *partially* recording each transaction, and its inability to prove the correctness of its books. It affords no check on the accuracy of the posting and no safeguard against fraud. Although the profit realised or the loss sustained may be ascertained, by comparing the state of affairs at the commencement of a given period with the state of affairs at the end of that period, it is impossible to discover *how* your capital has been increased or decreased. In recording *some* of the facts "single entry" does much of the work of "double entry," whilst it possesses none of the advantages of "double entry," which records **all the facts,** as well as **their results.** One writer has well said that "single entry" does not deserve a name, and he aptly suggests the respective terms of "Book-keeping" for double entry and "Imperfect Book-keeping" for single entry.

**32. DOUBLE ENTRY** is the name of the **principle** or method, the application of which will enable you, not only to answer all the questions set forth in par. 3, but also prove the correctness of those answers. It is a **system** which is absolutely **perfect** in its arrangement and mathematically **accurate** in its **results.**

You will remember that a **transaction** consists of an exchange or transfer for value, either in the form of money, goods, or services. The words **exchange** and "transfer" at once imply **two** sides or **two** parties. It is therefore the first principle in Book-keeping that there must be **two parties** in performing a transaction—one that **receives** and one that **gives.** It is impossible for there to be a debtor without a creditor. The **receiver** is called the **Debtor,** and the **giver** the **Creditor.** If every transaction has **two** sides to it, if it is of a two-fold character, there must, in order to make a *perfect record of the transaction,* be **two entries** in the **Ledger.** If there is a **double** *effect* in the *transaction* there must be a **double** *entry* in the *record,* the one to the **debit** of one a/c. and the other to the **credit** of another a/c. Thus, if you pay John Lees £20, he becomes your debtor, *so far as that transaction is concerned,* and you become his creditor. Your Ledger would appear as follows :—

**Dr.** **John Lees.** **Cr.**

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| To Cash .. | | 20 | - | - | | | | | |

**Dr.** **My Cash A/c.** **Cr.**

| | | £ | s. | d. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | By J. Lees | | 20 | - | - |

**33.** The **advantages** of **double entry** are :—

1. The correctness of all entries can be verified.
2. The value of the purchases and sales, with the **gross profit** realised, or the **gross loss** sustained, is clearly set forth.
3. The **net gain** or **loss** is clearly displayed in one a/c.—the Profit & Loss A/c.

4. The **exact** state of your affairs is verified by the agreement of two balances quite dissimilar in their composition—the balance of the Capital A/c. and that of the Balance Sheet.

The only **errors** which double entry cannot prevent or discover are (*a*) A mistake or omission in the original entry. (*b*) A double or equalising error in the transfer to the Ledger. (*c*) Posting an amount to the wrong a/c.

**34.** It would, of course, be possible to enter the transactions **direct** from the **Waste Book** into the **Ledger,** without the intervention of any subsidiary books; but as such a practice, even with great care, would be likely to lead to errors and omissions which it would be difficult to discover, it would not be advantageous or economical to adopt such a course.

In order to avoid such errors and omissions, the **chronological record** is first used, and a subsidiary book is employed in which to prepare and arrange the entries into debits and credits, for the *principal* book, the Ledger. Subsidiary means helping, assisting, aiding. This subsidiary or helping book is called the **JOURNAL** or **daily register,** and may be said to classify the transactions into debits and credits so as to *simplify* their transference into the Ledger. The **pages** of the Journal are vertically divided into **five** sections, viz. :—

| 1 | 2 | 3 | 4 | | | 5 | | |
|---|---|---|---|---|---|---|---|---|
| Date | Body of the Journal, where | Led. | £ | s. | d. | £ | s. | d. |
| Col'mn | the wording and narration | Fol. | | Dr. | | | Cr. | |
| | of the entry is written | Col. | Mo | ne | y | Mo | ne | y |
| | | | Col | um | n | Col | um | n |
| | | | to correspond with the two sides of the Ledger. | | | | | |
| 1919 | Example of Journalising. | | | Dr. | | | Cr. | |
| Jan. 1 | Goods A/c. .....Dr. | 8 | 200 | - | | | | |
| | To Albert Lee ..... | 9 | | | | 200 | - | - |
| | *For Goods purchased.* | | | | | | | |

**35. A NARRATION** is a reason for, or explanation of, an entry. Thus the words *For Goods purchased* at the foot of the entry on the last page, explain and give the reason for the preceding entry. Narrations, however, while rarely used in elementary book-keeping, are frequently employed in journalising important transactions in the accounts of limited companies.

**36. JOURNALISING** is the act of recording your transactions in the Journal, so as to facilitate their transfer to the Ledger, and is particularly helpful in enabling you to grasp the principle of book-keeping by double entry. Each transaction requires at least **two lines** in the Journal. The transaction " Bought Goods of Albert Lee, £200," is journalised in the example given on the previous page.

You will notice that the **Dr.** money column is placed before, or to the left of, the **Cr.** money column ; therefore the name of the a/c. to be debited " Goods A/c." is written on the line above and before the name of the a/c. to be credited " To Albert Lee."

While the **name** of the a/c. to be *debited* is always placed **close** to the left-hand margin line, the **name** of the a/c. to be *credited* must be commenced a **short distance** from the margin line, in order to correspond with the position of the money columns. This arrangement is of great assistance to the eye when transferring the items to the Ledger.

It is unnecessary to place " Cr." after the name of the a/c. to be credited, because if one a/c. is Dr. it follows that the other must be Cr. While **To** must preface each credit item, the word *By* is *never* used in the Journal.

A **thin red line** should be ruled between each transaction (not between each line), across the page, from the *date column* to the *folio column*. This gives a finish to your work, and a distinctive appearance to each transaction. (*See page* 37).

## 37. RULES FOR JOURNALISING.

1. **All Transactions.** Every **Dr.** must have a **Cr.** in order to comply with the principle of Double Entry, therefore take each transaction *separately* and ask yourself two questions—

   *a*. What A/cs. are concerned ?

   *b*. Which of them is **Dr.** and which is **Cr.** ?

2. **Real and Personal Accounts.**

   *a*. Value coming **into** or **Received** by an a/c. is **Dr.**

   *b*. Value going **Out** of or **Paid** by an a/c. is **Cr.**

3. **Nominal or Proprietary A/cs.**

   *a*. All **Losses** or Deductions from Capital are **Dr.**

   *b*. All **Gains** or Profits, or additions to Capital are **Cr.**

Journalise Exercise 19, after which add up both columns of the Journal to see that the totals are alike.

**Exercise 19.**

*WASTE BOOK ENTRIES, of Albert Pupil.*

| 1907. | | | | | |
|---|---|---|---|---|---|
| Jan. | 1. | Started with Cash (see par. 39) ..... | £520 | – | – |
| ,, | 2. | Bought Goods for Cash ..... | 328 | 16 | 6 |
| ,, | 5. | Sold Goods to Henry Gill ..... | 10 | – | – |
| ,, | 6. | Sold Goods for Cash ..... | 48 | 3 | 6 |
| ,, | 9. | Received Cash from Henry Gill..... | 10 | – | – |
| ,, | 9. | Sold Goods to Henry Gill ..... | 3 | 5 | – |
| ,, | 13. | Ditto Henry Gill ..... | 8 | 15 | – |
| ,, | 15 | Ditto Thomas Gee ..... | 87 | 6 | 8 |
| ,, | 16. | Received Cash from Henry Gill..... | 3 | 5 | – |
| ,, | 19. | Bought Goods from Harry Frost .... | 50 | – | – |
| ,, | 22. | Sold Goods to Henry Gill ..... | 4 | – | – |
| ,, | 26. | Paid Harry Frost, Cash ..... | 25 | – | – |
| ,, | 28. | Received Cash from Henry Gill..... | 8 | 15 | – |
| ,, | 30. | Ditto Thomas Gee .... | 57 | 6 | 8 |
| ,, | 31. | Paid Rent (see par. 25) ..... | 10 | – | – |
| | | *Value of Stock* £250 6 4 | | | |

**38. N.B.**—Presuming that the *first* page of your manuscript Journal will only contain thirteen of the above transactions, you must draw a red ink line across the money columns and total them both, underneath the red line at the bottom of the first page, as follows :—

| | | |
|---|---|---|
| Carried forward | £1107 6 8 | £1107 6 8. |

**No line** should be ruled *underneath* these totals, but double red lines should be ruled under *final totals.*

The top of the *second* page must commence as follows :—

| | Dr. | Cr. |
|---|---|---|
| 1907, *Brought forward* | £1107 6 8 | £1107 6 8. |

On the next line you will continue with the remaining transactions, thus :—

*Jan.* 30. *Cash* .....Dr. £57 6 8
*To Thomas Gee* .....£57 6 8.

**39. CAPITAL A/C.** *Started with Cash,* £520, means that you have commenced business with a Capital of £520. It will be quite clear to you that this amount is placed in the Cash A/c. which requires **debiting,** but it may not be quite so clear what a/c. requires crediting. When you, as proprietor of a business, invest therein a sum of money you must credit a Capital A/c. in order to show to whom the capital belongs, otherwise your Ledger would not contain a record of *all* the facts. You must always regard your business as separate and distinct from yourself in your private capacity, and therefore you should open an a/c. called *A. Pupil's Capital A/c.* showing yourself to be a *creditor of the business* because the **business** *owes* you £520, which is the amount of the **trader's** or **proprietor's capital.** When there are several partners, separate capital a/cs. are necessary in order to show what amount each of them has invested in the concern. (See par. 28). A person carrying on business *alone,* without partners, is called a **sole trader.**

**Exercise 19** would be journalised as follows :—

1

ALBERT PUPIL'S Journal.

| 1907 | | | Led. Fol. | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. | 1 | Cash.....Dr. | | 520 | – | – | | | |
| | | To A. Pupil's Cap. A/c. | | | | | 520 | – | – |
| ,, | 2 | Goods .....Dr. | | 328 | 16 | 6 | | | |
| | | To Cash ..... | | | | | 328 | 16 | 6 |
| ,, | 5 | Henry Gill .....Dr. | | 10 | – | – | | | |
| | | To Goods ..... | | | | | 10 | – | – |
| ,, | 6 | Cash.....Dr. | | 48 | 3 | 6 | | | |
| | | To Goods ..... | | | | | 48 | 3 | 6 |
| ,, | 9 | Cash.....Dr. | | 10 | – | – | | | |
| | | To Henry Gill ..... | | | | | 10 | – | – |
| ,, | 9 | Henry Gill .....Dr. | | 3 | 5 | – | | | |
| | | To Goods ..... | | | | | 3 | 5 | – |
| ,, | 13 | Henry Gill .....Dr. | | 8 | 15 | – | | | |
| | | To Goods ..... | | | | | 8 | 15 | – |
| ,, | 15 | Thomas Gee .....Dr. | | 87 | 6 | 8 | | | |
| | | To Goods ..... | | | | | 87 | 6 | 8 |
| ,, | 16 | Cash.....Dr. | | 3 | 5 | – | | | |
| | | To Henry Gill ..... | | | | | 3 | 5 | – |
| ,, | 19 | Goods .....Dr. | | 50 | – | – | | | |
| | | To Harry Frost ..... | | | | | 50 | – | – |
| ,, | 22 | Henry Gill .....Dr. | | 4 | – | – | | | |
| | | To Goods ..... | | | | | 4 | – | – |
| ,, | 26 | Harry Frost .....Dr. | | 25 | – | – | | | |
| | | To Cash ..... | | | | | 25 | – | – |
| ,, | 28 | Cash.....Dr. | | 8 | 15 | – | | | |
| | | To Henry Gill ..... | | | | | 8 | 15 | – |
| ,, | 30 | Cash.....Dr. | | 57 | 6 | 8 | | | |
| | | To Thomas Gee ..... | | | | | 57 | 6 | 8 |
| ,, | 31 | Profit & Loss A/c. (Rent) ...Dr. | | 10 | – | – | | | |
| | | To Cash ..... | | | | | 10 | – | – |
| | | Total of Journal ..... | | £1174 | 13 | 4 | £1174 | 13 | 4 |

**40. POSTING** is the act of separately **transferring** each entry from the *Journal* or other *Book of Original Entry*, to the a/c. that such entry affects in the Ledger. When posting from the *Journal* the amount is always entered in the *same* column in the Ledger.

**41.** After totalling and ruling off the Journal you will proceed to **post,** or make the **classified record.**

On looking through the Journal you will find that there are seven *different* a/cs. concerned, for each of which you will open an a/c. in the Ledger, writing the **headings** very **boldly.** Always arrange the a/cs. in the Ledger in the following order :—

1. Capital and Impersonal A/cs.
2. Personal A/cs.
3. Profit & Loss A/c. and Balance Sheet.

When **posting,** you must not forget the rule **that the name of an a/c. in which you are posting an entry must not be written in that a/c.** The first entry being in the **Dr.** column, will be posted to the **Dr.** side of the Cash A/c. in the Ledger thus :—1907, *Jan.* 1. *To Capital,* £520 ; while the second item, being in the **Cr.** column, will be posted to the **Cr.** side of the Capital A/c. thus :—1907, *Jan.* 1. *By Cash,* £520. Each *line* in the Journal indicates the a/c. in the Ledger to which that amount must be posted.

**42. FOLIOING.** The pages of all books of account are folioed or numbered in numerical order for convenience of reference. No entry must be transferred or posted from one book or page to another, without the reference number or **folio** being also posted. Therefore as each separate amount is posted into the Ledger, you must always be careful to :—

1. Enter the **Journal Folio** in the narrow column provided for it **in the Ledger.**
2. Enter the **Ledger Folio** in the narrow column provided for it **in the Journal.**

**43. TRIAL BALANCE.** After you have finished posting and before attempting to ascertain what profit you have realised on your month's transactions it is desirable that you should be certain that the postings have been properly made. Therefore, you will prepare

a **Trial Balance,** the object of which is to test whether the Ledger has been correctly posted.

Write down on a piece of paper the names of the seven a/cs. in the Ledger. Then add up the Dr. and Cr. Columns of each separate a/c. and place the **total postings** opposite the name of such a/c. in the Dr. and Cr. Columns. You will then add up the two columns of postings, when, if the totals are equal, and also correspond with the total of the Journal, your posting is thereby proved to be arithmetically accurate. Enter the T.B. in your Journal. You will readily see that had you omitted, increased, decreased, or misplaced an item it would have caused a disagreement between the totals of the two columns, whereupon you would have searched out and supplied the omission or corrected the error.

**TRIAL BALANCE** of Exercise 19.

| Ledger A/cs. | Led. Fol. | *Dr.* £ | s. | d. | *Cr.* £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Capital | 1 | | | | 520 | - | - |
| Cash | 1 | 647 | 10 | 2 | 363 | 16 | 6 |
| Goods | 1 | 378 | 16 | 6 | 161 | 10 | 2 |
| Henry Gill | 2 | 26 | - | - | 22 | - | - |
| Thomas Gee | 2 | 87 | 6 | 8 | 57 | 6 | 8 |
| Harry Frost | 2 | 25 | - | - | 50 | - | - |
| Profit & Loss A/c. | 3 | 10 | - | - | | | |
| Corresponds with Journal | £ | 1174 | 13 | 4 | 1174 | 13 | 4 |

Having thus far proved the arithmetical accuracy of your work, you will now proceed to the next process of **balancing** and closing the a/cs. in the Ledger so as to arrive at the answers to the five questions in par. 3, and prove the accuracy of such answers.

**44. STOCK-TAKING** is the valuing of all goods on hand, together with the plant, machinery, fittings, appliances and other property belonging to, or used in a business, so that they may be taken into a/c. when balancing or closing the books, and enable the owner to discover his exact financial position. (See par. 20).

**45. BALANCING BOOKS** is the winding-up and adjusting of all a/cs. in the Ledger, with the object of finding what profits have been realised or what losses have been sustained during a given time. **Balances** are more conspicuous when written in **red ink.**

**46.** If you were actually engaged in carrying on a business, before you could balance your books, it would be necessary for you to take part in the tedious process of Stock-taking. As a class-room student, however, you are saved this piece of practical work by the **Stock-in-Trade** or *Value of Stock* being stated at the end of each exercise.

If you refer to par. 20 you will find that the first operation in balancing is the **placing** of the **Value of Stock** on the **Cr.** side of the **Goods A/c.** in the Ledger thus :—*Jan.* 31, *By Balance* (*stock*) £250 6s. 4d.

Add up both sides and place totals on a slip of paper ; find the difference as follows :—

| | | | |
|---|---|---|---|
| **Cr.** side of Goods A/c. ..... | £411 | 16 | 6 |
| **Dr.** side of Goods A/c. ..... | 378 | 16 | 6 |
| **This difference of** ..... | £33 | – | – |

being a **gain,** requires entering on the **Dr.** side to equalise the A/c. thus :—*Jan.* 31. *To Gross Profit* £33.

A **loss** would require entering on the **Cr.** side.

Now insert the equalised totals of £411 16s. 6d., as shown in the key on page 42.

**47.** This **£33** is called your **Gross Profit,** because there have not been deducted from it any Trade Expenses, or other charges in connection with your business.

You will now **carry this £33** to the **Cr.** or " Gains " side of the **P. & L. A/c.** and enter thus :—

1907. *Jan.* 31. *By Gross Profit from Goods A/c.* £33.

You will observe that the only item of expense is Rent, while the only source of income is profit on goods. It therefore follows that if the sum of the Cr. side

exceeds the sum of the Dr. side, the *difference* must be the **net profit** or clear gain, because all expenses have been deducted. In this case the net profit or difference requires entering on the **Dr.** side, thus :—

*Jan.* 31. *To Net Profit carried to Capital A/c.*, £23.

A Net Loss would, of course, be entered on the Cr. side.

Now insert the equalised totals of £33 as on page 43.

**48.** This **net profit** of **£23,** which is an increase of surplus assets, is due to you as proprietor of the business, and since you are richer by £23 than you were at the beginning of the month, this amount must be **carried to your** credit, that is, the **Cr.** side of the **Capital A/c.** and entered :—*Jan.* 31. *By Net Profit* £23.

**Your net Capital** is thereby increased to £543, and as there is no item on the Dr. side you will balance by placing the sum on the **Dr.** side and entering :—

1907, *Jan.* 31. *To Balance,* £543.

Insert the equalised totals of £543 as shown on page 42.

Now **balance** the remaining four a/cs. in the usual way by placing the difference or equalising amount in each case on the lighter side of the a/c. prefaced by *Jan.* 31, *To* or *By Balance,* and carry down the balances, after which the A/cs. are said to be **closed.**

**49. PROOF OF ACCURACY.** The **Cr.** balance of the Capital A/c. (£543) represents the *excess* of *Assets* over *Liabilities.* As such Assets and Liabilities are the **balances** of the Real and Personal A/cs., it must follow therefore, that if the a/cs. are correct, a Balance Sheet comprising the balances of the a/cs., except the Capital, will give the same balance as that shown by the Capital A/c. Having **ascertained** by means of your **Capital A/c. what your Capital ought to be,** you will therefore now proceed to **establish,** by the construction of a **Balance Sheet, what your Capital is,** by following the directions given in pars. 29 and 30.

Compare your **Ledger** with **key** on pages 42 and 43.

You will find that your Assets **exceed** your Liabilities by £543, therefore you are **solvent** to that extent. While your Capital A/c. states that your Capital **ought** to be £543, your Balance Sheet states that it **is** £543. From the **corroboration** or agreement of these two amounts: the **balance** of the **Capital A/c.** and the **Capital** in the **Balance Sheet,** your **books** are **proved** to be **accurate.**

## LEDGER for Exercise 19.

**Dr.** ALBERT PUPIL'S Capital A/c. **Cr.**

| 1907 | | c/d | £ | s. | d. | 1907 | | £ | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 31 | *To Balance* .. | | 543 | - | - | Jan. 1 | By Cash ..... | 1 | 520 | - | - |
| | | | | | | ,, 31 | ,, *Net Profit* | 3 | 23 | - | - |
| | | £ | 543 | - | - | | | £ | 543 | - | - |
| | | | | | | Feb. 1 | By Balance .. | b/d | 543 | - | - |

**Dr.** Cash A/c. **Cr.**

| 1907 | Receipts. | | £ | s. | d. | 1907 | Payments. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Capital ... | 1 | 520 | - | - | Jan. 2 | By Goods .... | 1 | 328 | 16 | 6 |
| ,, 6 | ,, Goods .... | 1 | 48 | 3 | 6 | ,, 26 | ,, H. Frost | 1 | 25 | - | - |
| ,, 9 | ,, H. Gill.... | 1 | 10 | - | - | ,, 31 | ,, Rent ..... | 1 | 10 | - | - |
| ,, 16 | ,, H. Gill.... | 1 | 3 | 5 | - | ,, ,, | ,, *Balance* .. | c/d | 283 | 13 | 8 |
| ,, 28 | ,, H. Gill.... | 1 | 8 | 15 | - | | | | | | |
| ,, 30 | ,, T. Gee ... | 1 | 57 | 6 | 8 | | | | | | |
| | | £ | 647 | 10 | 2 | | | £ | 647 | 10 | 2 |
| Feb. 1 | To Balance .. | b/d | 283 | 13 | 8 | | | | | | |

**Dr.** Goods A/c. or Trading A/c. **Cr.**

| 1907 | Purchases. | | £ | s. | d. | 1907 | Sales. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 2 | To Cash ..... | 1 | 328 | 16 | 6 | Jan. 5 | By H. Gill ... | 1 | 10 | - | - |
| ,, 19 | ,, H. Frost .. | 1 | 50 | - | - | ,, 6 | ,, Cash ..... | 1 | 48 | 3 | 6 |
| ,, 31 | ,, *Gross Profit carried to P.&L.A/c.* | 3 | 33 | - | - | ,, 9 | ,, H. Gill ... | 1 | 3 | 5 | - |
| | | | | | | ,, 13 | ,, H. Gill ... | 1 | 8 | 15 | - |
| | | | | | | ,, 15 | ,, T. Gee.... | 1 | 87 | 6 | 8 |
| | | | | | | ,, 22 | ,, H. Gill ... | 1 | 4 | - | - |
| | | | | | | ,, 31 | ,, *Bal. (stock)* | c/d | 250 | 6 | 4 |
| | | £ | 411 | 16 | 6 | | | £ | 411 | 16 | 6 |
| Feb. 1 | To Balance .. | b/d | 250 | 6 | 4 | | | | | | |

**Dr.** **Henry Gill, 50 King Street, Leeds.** **Cr.**

| 1907 | | | £ | s. | d. | 1907 | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 5 | To Goods .... | 1 | 10 | - | - | Jan. 9 | By Cash ..... | 1 | 10 | - | - |
| „ 9 | „ Do. .... | 1 | 3 | 5 | - | „ 16 | „ Do. ..... | 1 | 3 | 5 | - |
| „ 13 | „ Do. .... | 1 | 8 | 15 | - | „ 28 | „ Do. ..... | 1 | 8 | 15 | - |
| „ 22 | „ Do. .... | 1 | 4 | - | - | „ 31 | „ *Balance* .. | c/d | 4 | - | - |
| | | £ | 26 | - | - | | | £ | 26 | - | - |
| Feb. 1 | To Balance .. | b/d | 4 | - | - | | | | | | |

**Dr.** **Thomas Gee, 8 Pavement, York.** **Cr.**

| 1907 | | | £ | s. | d. | 1907 | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 15 | To Goods .... | 1 | 87 | 6 | 8 | Jan. 30 | By Cash ..... | 1 | 57 | 6 | 8 |
| | | | | | | „ 31 | „ *Balance* .. | c/d | 30 | - | - |
| | | £ | 87 | 6 | 8 | | | £ | 87 | 6 | 8 |
| Feb. 1 | To Balance .. | b/d | 30 | - | - | | | | | | |

**Dr.** **Harry Frost, 15 Ouse Street, Goole.** **Cr.**

| 1907 | | | £ | s. | d. | 1907 | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 26 | To Cash ..... | 1 | 25 | - | - | Jan. 19 | By Goods .... | 1 | 50 | - | - |
| „ 31 | „ *Balance* .. | c/d | 25 | - | - | | | | | | |
| | | £ | 50 | - | - | | | £ | 50 | - | - |
| | | | | | | Feb. 1 | By Balance .. | b/d | 25 | - | - |

**Dr.** **Profit & Loss A/c.** **Cr.**

| 1907 | Losses. | | £ | s. | d. | 1907 | Gains. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 31 | To Rent ..... | 1 | 10 | - | - | Jan. 31 | *By Gross Profit from Goods A/c.* | 1 | 33 | - | - |
| „ 31 | „ *Net Profit to Cap. A/c.* | 1 | 23 | - | - | | | | | | |
| | | £ | 33 | - | - | | | £ | 33 | - | - |

**Balance Sheet** of ALBERT PUPIL, on 31st January, 1907.

| Liabilities. | £ | s. | d. | Assets. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Harry Frost ..... | 25 | - | - | Cash in hand ..... | 283 | 13 | 8 |
| *CAPITAL* ..... | 543 | - | - | Goods on hand ..... | 250 | 6 | 4 |
| | | | | Henry Gill ..... | 4 | - | |
| | | | | Thomas Gee ..... | 30 | - | |
| £ | 568 | - | - | £ | 568 | - | - |

**50. M.O.**—A Money Order is an order made by one Post Office to another *specified* office, for payment of *any sum* not exceeding £40 to a particular person ; or, if crossed, to *blank* ; such sum having been first deposited with the issuing office by the sender or remitter. A small charge called *poundage* is made for the order.

**51. P.O.**—A Postal Order is an order made by one Post Office to *any* other Post Office (not specified by the official), for the payment of any one of forty-one *fixed sums*, ranging from 6d. to 21s. to any person ; the amount having been first deposited with the issuing office by the sender. A small charge called *poundage* is made upon issuing an Order.

Both **Orders** must always be treated as **Cash.**

**52. TRANSACTIONS** involving **new difficulties** are **explained** either in **numbered paragraphs,** or in **notes** at the end of the respective exercises. The *numbers* of such paragraphs are given in *brackets* at the end of the transaction affected, and a note is indicated by :—(*N.B.*)

**Exercise 20.**

1907. Journalise the following transactions of Albert Pupil :—

| | | | | | |
|---|---|---|---|---|---|
| Feb. 1. | *Assets*—Cash in hand (see par. 53a) | £283 | 13 | 8 | |
| | Goods on hand | 250 | 6 | 4 | |
| | Henry Gill owes me | 4 | – | – | |
| | Thomas Gee owes me | 30 | – | – | |
| | *Liabilities*—I owe Harry Frost | 25 | – | – | |
| | Capital | 543 | – | – | |
| | *Transactions :*— | | | | |
| „ 1. | Bought of Field & Co. (see par. 53b) | | | | |
| | 6 doz. Pickwick Papers @ 8/- | £2 | 8 | – | |
| | 4 „ Vanity Fair @ 8/- | 1 | 12 | – | |
| | 1 „ Green's History @ 60/- | 3 | – | – | |
| | 2 „ Alton Locke @ 18/- | 1 | 16 | – | 8 16 – |
| „ 2. | Sold to Henry Hoole— | | | | |
| | Kingsley's Life | – | 6 | – | |
| | Alton Locke | – | 2 | – | |
| | Darkest Africa | – | 18 | – | 1 6 – |
| „ 3. | Bought Goods for Cash | | | | 15 17 – |
| „ 4. | Sold Hy. Gill—Corn Law Rhymes | – | 10 | – | |
| | Whittier | – | 5 | – | |
| | A. Lincoln | 3 | 3 | – | 3 18 – |

| | | | | | |
|---|---|---|---|---|---|
| Feb. 5. | Bought of Cassell & Co.— | | | | |
| | History of England, 10 vols. | £3 | 10 – | | |
| | Life of Christ | – | 9 – | | |
| | 1 doz. Combe on Education | – | 10 – | | |
| | 1 doz. „ Man | – | 10 – | 4 | 19 – |
| „ 9. | Received M.O. (Cash) from Henry Gill | | | 7 | 18 – |
| „ 10. | Paid for Repairs (see pars. 54 & 81) | | | 1 | 17 6 |
| „ 11. | Sold Book for Cash | | | 3 | 9 6 |
| „ 12. | Bought Goods for Cash | | | 5 | 5 – |
| „ 13. | Sold to Henry Hoole— | | | | |
| | Huxley's Lay Sermons | – | 12 6 | | |
| | Burns | – | 8 – | | |
| | Knight's Shakespeare | 2 | 6 6 | 3 | 7 – |
| „ 16. | Received P.O. (Cash) from Henry Hoole | | | 1 | 6 – |
| „ 17. | Sold to H.Frost—Modern Painters | 10 | 4 – | | |
| | Boswell's Johnson | 3 | 6 – | | |
| | Waverley Novels | 10 | 10 – | 24 | – – |
| „ 18. | Sent Harry Frost P.O. (Cash) | | | 1 | – – |
| „ 19. | Bought of George Allen— | | | | |
| | 1 doz. Sesame & Lilies @ 6/- each | 3 | 12 – | | |
| | 1 „ Ethics of the Dust @ 6/- each | 3 | 12 – | | |
| | 1 „ Ruskin's Selections @ 7/- each | 4 | 4 – | 11 | 8 – |
| „ 20. | Bought of Cassell & Co., Goods | | | 9 | 13 – |
| „ 22. | Paid for Postage Stamps (par. 54) | | | 1 | – – |
| „ 28. | Cash Sales during month (par. 53c) | | | 145 | 18 2 |
| „ 28. | Paid Rent (par. 54) | | | 10 | – – |
| „ 28. | Paid for Advertising (par. 54) | | | 5 | 6 8 |

Post the Journal into the Ledger. Make a Trial Balance, then Balance the Ledger, *valuing the Goods on Hand at* £175. Prepare a Balance Sheet.

**53.** **N.B.**—(*a*) When opening the Journal, **Assets** being **Dr.** balances brought forward, are **debited ;** and **Liabilities** being **Cr.** balances brought forward, are **credited,** thus :—

| 1907 | | | L. F. | Dr. | Cr. |
|---|---|---|---|---|---|
| Feb. | 1 | Cash.....Dr. | | 283 13 8 | |
| | | Goods ..... „ | | 250 6 4 | |
| | | Henry Gill ..... „ | | 4 – – | |
| | | Thomas Gee ... „ | | 30 – – | |
| | | To Harry Frost | | | 25 – – |
| | | „ Capital ..... | | | 543 – – |
| | | | | £568 – – | £568 – – |

When posting these six items to the Ledger you must use the words *To* or *By Balance.*

(*b*) Although there are many particulars given as to the quantity and price of goods bought and sold, these details must *not* be entered in the Journal. The first transaction will come underneath the above opening entries thus :—

*Goods.....Dr.* £8 16 –
*To Field & Co.* .....£8 16 –.

(*c*) The term **Cash Sales** means receipt of cash for goods sold over the counter, and must be entered *Cash Dr. To Goods.* In practical work (page 79) enter on Dr. side of Cash Book :—*To Goods* or *To Sales.*

**54. A TRADE EXPENSES A/c.** must be debited with Repairs, Stamps, Rent, and Advertising, &c. This a/c. is called a subsidiary P. & L. A/c. because it helps the latter and relieves it of much unnecessary detail. When closing the Trade Expenses A/c. enter on the **Cr.** side, *By Transfer to P. & L. A/c.* £18 4 2, and carry this total to the **Dr.** side of the P. & L. A/c., and enter *To Trade Expenses A/c.*, £18 4 2. The Journal entry for the first item of Expenses in Ex. 20 would be :—

*Feb.* 10. *Trade Exs.* (*Repairs*) *Dr.* £1 17 6
*To Cash*..... 1 17 6

**Dr.** **Trade or General Expenses A/c.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Feb 10 | To Repairs ... | 1 | 17 | 6 | Feb. 28 | *By Transfer to P. & L. A/c.* | 18 | 4 | 2 |
| „ 22 | „ Postages .. | 1 | – | – | | | | | |
| „ 28 | „ Rent ..... | 10 | – | – | | | | | |
| „ „ | „ Advertising | 5 | 6 | 8 | | | | | |
| | | £18 | 4 | 2 | | | £18 | 4 | 2 |

**Supplementary Practical Exercise 20a.**

Walter Marshman (Woollen Merchant) had Assets and Liabilities on the 1st November, 1908, as follows :—

| *Assets.* | | | *Liabilities.* | |
|---|---|---|---|---|
| Cash in hand, £600. | | | | |
| Stock of Cloth ..... | £2000 | | Due to Soames & Co. ... | £400 |
| Due from Saml. Fletcher | 100 | | „ Broughton & Co. .. | 300 |
| „ Jas. Ramshaw | 50 | | Capital..... | 2155 |
| „ Edward Booth | 35 | | | |
| „ George Taylor | 70 | £2855 | | £2855 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Nov. 2. | Bought from Soames & Co. :— | | | | | | | |
| | 20 Pcs. W'std. Coatings, Black = 825yds. @5/- | | | | | £206 | 5 | – |
| | 10 „ „ Blue = 414yds. @4/6 | | | | | 93 | 3 | – |
| | 8 Pcs. Vicunas, Blk. & Blue = 280 yds. @5/- | | | | | 70 | – | – |
| „ 3. | Paid Soames & Co. | | | | | 300 | – | – |
| „ 4. | Sold James Ramshaw :— | | | | | | | |
| | 100 yds. Mixt. Trouserings @ 3/- | | £15 | – | – | | | |
| | 80 yds. W'std. Coatings, Blk. @ 7/- | | 28 | – | – | | | |
| | 50 yds. Vicunas, Black @ 6/6 | | 16 | 5 | – | 59 | 5 | – |
| „ 5. | Received Cash from Samuel Fletcher | | | | | 50 | – | – |
| „ 7. | Sold Samuel Fletcher :— | | | | | | | |
| | 120 yds. W'std. Coatings, Blue @ 6/- | | 36 | – | – | | | |
| | 90 yds. Grey Mixture Cloth @ 5/- | | 22 | 10 | – | 58 | 10 | – |
| „ 9. | Paid Broughton & Co. | | | | | 150 | – | – |
| „ 9. | Bought of Broughton & Co. :— | | | | | | | |
| | 20 Pcs. Tr'serings = 742 yds. @ 3/6 | | 129 | 17 | – | | | |
| | 15 Pcs. Mixt. Cloth = 520 yds. @ 4/- | | 104 | – | – | 233 | 17 | – |
| „ 11. | Received from James Ramshaw, Cash | | | | | 50 | – | – |
| „ 12. | Received from George Taylor | | | | | 40 | – | – |
| „ 12. | Paid Wages | | | | | 10 | 5 | – |
| „ 18. | Sold Samuel Fletcher :— | | | | | | | |
| | 200 yds. Italian Lining @ 1/6 | | 15 | – | – | | | |
| | 120 yds. Fancy Trouserings @ 4/6 | | 27 | – | – | 42 | – | – |
| „ 21. | Sold to James Ramshaw :— | | | | | | | |
| | 50 yds. Superfine Blk. Cloth @ 8/- | | 20 | – | – | | | |
| | 60 yds. Black Vicuna @ 6/- | | 18 | – | – | | | |
| | 50 yds. Lining @ 1/4 | | 3 | 6 | 8 | 41 | 6 | 8 |
| „ 23. | Received Cash from Samuel Fletcher | | | | | 50 | – | – |
| „ 24. | Paid Soames & Co. | | | | | 100 | – | – |
| „ 25 | Received Cash from James Ramshaw | | | | | 59 | 5 | – |
| „ 27. | Paid Wages | | | | | 11 | – | – |
| „ 28. | Sold George Taylor :— | | | | | | | |
| | 100 yds. Blk. W'std. Coatings @ 7/- | | 35 | – | – | | | |
| | 100 yds. Trouserings @ 4/- | | 20 | – | – | | | |
| | 100 yds. Linings @ 1/6 | | 7 | 10 | – | 62 | 10 | – |
| „ 28. | Received from George Taylor, Cash | | | | | 70 | – | – |
| „ 30. | Goods sold for Cash | | | | | 100 | – | – |
| „ 30. | Paid Sundry Expenses | | | | | 4 | – | – |

*Stock of Goods* £2300.

**Answer.** *Gross Profit*, £60 6 8 ; *Net*, £35 1 8 ; *Capital*, £2190 1 8.

### Supplementary Practical Exercise 20b.

1908. Dec. 1. Prepare the Books of Albert Jones, Stationer.

| *Assets—Dr. Balances.* | | | | *Liabilities—Cr. Balances.* | | | |
|---|---|---|---|---|---|---|---|
| Cash | £196 | 8 | 9 | Henry Stephens | £38 | 19 | 2 |
| Goods | 238 | 4 | 3 | Hayden & Co. | 43 | 5 | 9 |
| Seth Whiteley | 9 | 16 | 7 | Millington & Co. | 59 | 16 | 3 |
| Edwin Wilson | 14 | 2 | 8 | Charles Town | 26 | 18 | 5 |
| Norman Kaye | 10 | 7 | 4 | Capital | | | |
| | £468 | 19 | 7 | | £168 | 19 | 7 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Dec. 1. | Bought of Henry Stephens :— | | | | | | |
| | 6 doz. Blue Black, 40 ozs... | @ 24/– | £7 | 4 | – | | |
| | 6 doz. Do. 24 ozs.. | @ 16/– | 4 | 16 | – | | |
| | 10 doz. Do. 4 ozs... | @ 3/6 | 1 | 15 | – | | |
| | 5 doz. Combined, 16 ozs.... | @ 16/– | 4 | – | – | | |
| | 8 doz. Copying, 24 ozs.... | @ 24/– | 9 | 12 | – | | |
| | 3 doz. Do. 5 ozs.... | @ 7/– | 1 | 1 | – | | |
| | 4 doz. Scarlet, 8 ozs... | @ 12/6 | 2 | 10 | – | | |
| | 2 doz. Do. 2 ozs... | @ 8/– | – | 16 | – | | |
| | 5 doz. Bell Shape Gum 2½ozs. | @ 4/– | 1 | – | – | | |
| | 6 doz. Reserve Gum 12 ozs. | @ 8/– | 2 | 8 | – | £35 | 2 – |
| ,, 1. | Sold to Seth Whiteley :— | | | | | | |
| | 1 Blue Black Ink, 40 ozs. ..... | | – | 3 | – | | |
| | 1 Combined Ink, 16 ozs. ..... | | – | 2 | – | | |
| | 1 Premier File, quarto ..... | | – | 2 | 6 | | |
| | 12 Record Ribbons ..... | @ 2/6 | 1 | 10 | – | | |
| | 1 Ream Ford's Blotting ..... | | 1 | 5 | – | 3 | 2 6 |
| ,, 3. | Paid Henry Stephens ..... | | | | | 38 | 19 2 |
| ,, 4. | Sold to Edwin Wilson :— | | | | | | |
| | 5000 Manilla Envelopes..... | @ 4/6 | 1 | 2 | 6 | | |
| | 1000 Foolscap Cartridge ..... | | – | 9 | – | | |
| | 1 Bottle Gum, 12 ozs. ..... | | – | 1 | – | | |
| | 5 Rms. Headed Letter Paper | @ 5/– | 1 | 5 | – | | |
| | 3 Binding Cases ..... | @ 2/– | – | 6 | – | 3 | 3 6 |
| ,, 5. | Received from Norman Kaye ..... | | | | | 10 | 7 4 |
| ,, 5. | Paid for Postage Stamps ..... | | | | | 1 | 10 – |
| ,, 8. | Bought of Hayden & Co. :— | | | | | | |
| | 2 doz. Wire Letter Trays ... | @ 24/– | 2 | 8 | – | | |
| | 3 doz. Metal Inkstands ..... | @ 18/– | 2 | 14 | – | | |
| | 4 doz. Ebony Rulers 6×1... | @ 4/– | – | 16 | – | 5 | 18 – |
| ,, 9. | Received from Edwin Wilson ..... | | | | | 14 | 2 8 |
| ,, 10. | Sold Frederick Davey :— | | | | | | |
| | 4 Apron Files ..... | @ 1/– | – | 4 | – | | |
| | 2 Foolscap Letter Trays .... | @ 1/3 | – | 2 | 6 | | |
| | 2 Demy Guard Books ..... | @ 12/6 | 1 | 5 | – | | |
| | 1 Date Indicator ..... | | – | 8 | – | | |
| | 3 Demy Ledgers ..... | @ 18/– | 2 | 14 | – | 4 | 13 6 |
| ,, 11. | Paid Millington & Co. ..... | | | | | 30 | 16 3 |
| ,, 12. | Received from Seth Whiteley ..... | | | | | 9 | 16 7 |
| ,, 14. | Sold to Norman Kaye :— | | | | | | |
| | 2 Quarto Letter Books ..... | @ 7/– | – | 14 | – | | |
| | 2000 Manilla Envelopes..... | @ 4/6 | – | 9 | – | | |
| | 1000 Printed Post Cards ..... | | – | 5 | – | | |
| | 1 Copying Ink, 24 ozs. ..... | | – | 3 | – | 1 | 11 – |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Dec 14. | Paid for Repairs | | | | | | £3 | 2 | 6 |
| ,, 15. | Received M.O. from Frederick Davey | | | | | | 4 | 13 | 6 |
| ,, 16. | Bought Goods by Auction for Cash | | | | | | 16 | 4 | 3 |
| ,, 17. | Sold to Walter Richardson :— | | | | | | | | |
| | 1 Roll Tracing Paper | | | – | 8 | 6 | | | |
| | 1 Roll Tracing Cloth | | | 1 | 16 | – | | | |
| | 6 Qrs. Drawing Paper, D.E. | @ | 16/– | 4 | 16 | – | | | |
| | 1 doz. Assorted Sable Brushes | | | – | 9 | 10 | | | |
| | 3 Premier Files | @ | 2/6 | – | 7 | 6 | 7 | 17 | 10 |
| ,, 18. | Bought from Millington & Co. :— | | | | | | | | |
| | 100,000 No. 5 Manilla Pockets | @ | 3/6 | 17 | 10 | – | | | |
| | 25,000 Foolscap Cartridge | @ | 7/6 | 9 | 7 | 6 | | | |
| | 10,000 No. 7 Owl Parchment | @ | 5/6 | 2 | 15 | – | 29 | 12 | 6 |
| ,, 19. | Sold to Seth Whiteley :— | | | | | | | | |
| | 4 Rms. Typewriting Quarto | @ | 4/3 | – | 17 | – | | | |
| | 6 ,, ,, Foolscap | @ | 5/6 | 1 | 13 | – | | | |
| | 1,000 Commercial Envelopes | | | – | 8 | 6 | | | |
| | 8 Rms. Duplicating Quarto | @ | 2/– | – | 16 | – | | | |
| | 8 ,, ,, Foolscap | @ | 2/4 | – | 18 | 8 | 4 | 13 | 2 |
| ,, 21. | Received from Seth Whiteley | | | | | | 3 | 2 | 6 |
| ,, 22. | Paid for Advertising | | | | | | 6 | 7 | 6 |
| ,, 23. | Sold to Norman Kaye :— | | | | | | | | |
| | 1 Ellam's Duplicator | | | 5 | 5 | – | | | |
| | 2 Tubes Black Ink | @ | 6/6 | – | 13 | – | | | |
| | 2 Bottles Varnish | @ | 1/– | – | 2 | – | | | |
| | 5 Quires Stencil Paper | @ | 4/6 | 1 | 2 | 6 | | | |
| | 5 doz. Carbons | @ | 4/– | 1 | – | – | 8 | 2 | 6 |
| ,, 24. | Bought of Charles Town :— | | | | | | | | |
| | 3 Rms. Purple Royal | @ | 24/9 | 3 | 14 | 3 | | | |
| | 50 Rms. Large Post, Cream Wove, 23 lbs = 1150 | @ | 2⅞d. | 13 | 15 | 6 | 17 | 9 | 9 |
| ,, 24. | Paid Chas. Town | | | | | | 26 | 18 | 5 |
| ,, 28. | Paid Hayden & Co. | | | | | | 43 | 5 | 9 |
| ,, 28. | Paid Christmas Gratuities | | | | | | 1 | 2 | 6 |
| ,, 29. | Received from Walter Richardson | | | | | | 7 | 17 | 10 |
| ,, 30. | Sold Edwin Wilson :— | | | | | | | | |
| | 4 Manifold Books | @ | 2/– | – | 8 | – | | | |
| | 1 Letter Balance | | | 1 | 8 | – | | | |
| | 5,000 Manilla Envelopes | @ | 4/6 | 1 | 2 | 6 | 2 | 18 | 6 |
| ,, 30. | Received from Norman Kaye | | | | | | 1 | 11 | – |
| ,, 31. | Ready-money Sales | | | | | | 115 | 6 | 9 |
| ,, 31. | Paid Sundry Trade Expenses | | | | | | 3 | 15 | – |

*Value of Stock*, £269.

**Answer.**—*Gross Profit*, £77 18 6 ; *Net*, £62 1 – ; *Capital*, £362 1 –

**55. BANK.** A Commercial Bank is an establishment for the custody and issue of money. Bank business consists principally of (1) keeping Current A/cs. for customers (2) receiving Deposits at interest (3) discounting Bills of Exchange (4) advancing money in the form of Cash Credits and loans or overdrawn a/cs. (5) issuing Bank Notes (6) acting as Agents for others.

The income of a Bank is chiefly derived from (1) interest on overdrawn a/cs., loans and investments (2) Commission on cheques drawn on Current A/cs. (3) charges made on discounting Bills of Exchange (4) Commission received for acting as agent (5) the issuing of Notes. Bankers accept money either on *deposit account* or *current account.*

A **Deposit Account** is one where sums of money are deposited, either for a fixed period of three, six, or twelve months, or available at customer's notice, or *on demand.* The rate of interest depends on the conditions of the lodgment, but it is not usual to allow interest for a less period than a month. The acknowledgment of the receipt of a fixed sum by the banker is generally given on an oblong piece of paper, known as a Deposit Receipt, on which is specified the interest to be paid and the notice to be given before the money is withdrawn.

A **Current** or **Drawing Account** is one in which are entered transactions between two parties ; an **open** a/c. into which the customer of a bank pays money and out of which he may draw **on demand,** *without giving any notice,* the oldest credits being set off against the oldest debits. Money may thus be lodged in a bank to be withdrawn or added to *at any time,* with or without interest, as may be agreed upon. It is the practice in London for a Bank to require from a customer that he shall keep a **minimum balance** of say £50 or more to his credit, upon which no interest shall be allowed, and in return for which the Bank shall charge no commission to the customer on the turnover. In the provinces it is more usual to allow 2% interest on credit balances and charge 2/6% commission on the **turnover,** *i.e.*, on the total amount of cheques drawn. There are six great **advantages** in having a Commercial Banking A/c. :—

**1.** The inconvenience and danger of having in your office large sums of money is avoided, and you may receive interest thereon.

**2.** By means of small slips of paper called "cheques" you are able to transfer money, not only to another merchant in your own town, but also to any part of the country, thus avoiding the trouble of counting and the expense and risk of sending coin or notes. Cheques may be used as evidence in case of disputed payments; and where all your cash transactions are passed through the Bank an authentic record is thus kept.

**3.** You may have collected without any trouble the cash for the cheques and bills of exchange received by you as well as have your bills of exchange discounted.

**4.** A banker is a continual referee as to respectability, and thus a means of increasing your credit; while information as to the stability of other traders, having a banking a/c., is easily ascertained.

**5.** You may overdraw your a/c. on providing sufficient security to cover the overdraft.

**6.** A Bank is a secure place of deposit for any deeds, papers, or other property requiring special care. It is also a ready channel of obtaining information respecting commercial transactions, payments abroad, buying or selling stock, and many other matters.

When commencing business, or opening a current or drawing a/c. with a Bank it is usual to have an interview with the Manager, to arrange the terms and sign the Autograph Book. Upon making your first deposit a

**55. PASS BOOK** is handed to you by the banker, in which all the amounts received and paid away by him on your behalf are shown. This Book must be taken to the Bank at frequent intervals to be entered up, and on its return each item must be carefully checked, in order to see that you have been duly credited with all your deposits, and debited with the amounts for which you have drawn cheques. Money can only be withdrawn from a Commercial Bank by means of a—

**57. CHEQUE,** which is a stamped order made by the **Drawer** thereof upon a banker (known as the

**Drawee**), to pay a specified sum of money to a stated person (known as the **Payee**) or to the bearer thereof. With the view to convenience and uniformity, and as a safeguard against fraud, elaborately designed and delicately tinted cheque forms, impressed with a twopenny stamp (however small the amount) are supplied in books of 12, 30, 60, &c., by the bank to each of its customers, who pay the stamp duty only. It is quite legal, although unusual, to write out a cheque upon a piece of common paper and affix a twopenny or two penny postage stamps thereto. If unstamped on presentation for payment, the banker can stamp a cheque and deduct the 2d. from the amount paid, or charge it to his customer. A foreign cheque requires a twopenny postage stamp affixing on arrival in this country—not a bill stamp.

A **Cheque Book** consists of two unequal parts, divided by perforation like postage stamps, the smaller or left-hand part being called the **counterfoil ;** the larger oblong portion being the **cheque form,** which, after being filled up in *ink*, is torn off at the vertical dotted line and handed to the party to whom you have made the cheque payable. The clerk of a customer may only obtain a cheque book on presenting a *written* application (usually on a small printed form) signed by his principal.

*Counterfoil.* *Cheque Form.*

No.....

.....192

.....

.....

.....

£ .....

No..... *Huddersfield,*.....192

To the

**National Bank,**

LIMITED.

*Pay*.....*or Order*

STAMP TWO PENCE.

£

LONDON BANKERS:
MESSRS. BARCLAY & CO., LIMITED.

**58.** A cheque may be drawn to be made payable either to **Bearer** or to **Order.**

A cheque payable to **BEARER** is, as its name implies, payable to the holder or possessor, or bearer of it; that is, anyone who may *present* it at the Bank. Bearer cheques do not require *endorsing.* A cheque payable to **ORDER** is the most common kind, and always requires to be endorsed by the person to whom it is made payable before the banker will cash it.

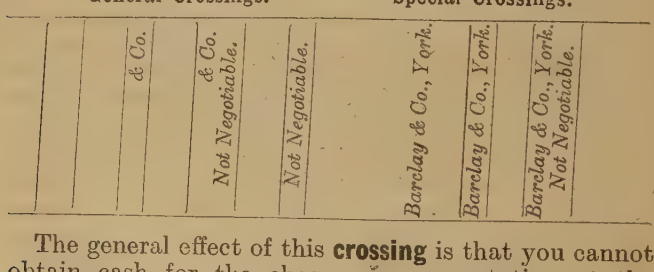
**59. ENDORSING** is the act of a person to whom a cheque is made payable, signing his name across the back of it, at the perforated end. A Banker is *not* liable if he pays a cheque with a forged endorsement. A **form** of **receipt** to be signed by the payee is sometimes printed at the foot or on the back of a cheque; and when the amount is for **£2** and upwards a penny receipt **stamp** must be affixed.

**60. PRESENTING** a cheque is the taking of it to the Bank named on the face of the cheque, and requesting cash for the amount specified thereon. It sometimes happens, however, that where a customer has not sufficient money in the bank to meet a cheque, the banker refuses to cash the same, returning it marked R/D (Refer to drawer) or N/S (Not sufficient funds), in which case the cheque is said to be **dishonoured.** After a cheque has been refused which exceeded the customer's balance, smaller cheques may still be paid when presented. In Scotland, however, it is not so; presentment of a cheque there establishing a lien on the balance in favour of the holder of the cheque. The remedy or right of action of the payee in respect of a dishonoured cheque is against the drawer and not the banker. On receipt of information from your banker that a cheque is dishonoured you must write to the person from whom you received it demanding immediate cash. The Journal **entry** would be *A Person Dr. to Bank.* In **practical** work enter the name of the debtor on the **Cr.** side of the Cash Book, placing the amount of the cheque in the Bank Column, and posting it to the debit of the debtor. A **marked cheque** is one that has been initialled by the banker upon whom it is drawn, thus indicating

that he has sufficient funds with which to meet the cheque at the first " clearing " of the following day.

**61.** The phrase **OR ORDER** which follows the name of the person to whom a cheque is made payable, means that such person may, by endorsing it, *order* or *authorise* anyone else to receive the money. Therefore an **order** cheque is not **negotiable** until it is endorsed ; but a *bearer* cheque is negotiable *without* endorsement. If the words *order* or *bearer* were omitted, or struck out, it would not restrict the negotiation of the cheque, which would be treated as an **order** cheque and require endorsement as such.

**62. A CROSSED CHEQUE** is one on which (**a**) **two parallel transverse lines** are drawn across the face with or without *& Co., Not negotiable, Under Fifty Pounds, &c.*, or the name of a banking firm written between them, as *Beckett & Co.*, or *Union Bank* ; (**b**) the name of a banker, merely, is written across, without the parallel lines.




The general effect of this **crossing** is that you cannot obtain cash for the cheque on presentation at the counter of the Bank upon which it is drawn ; but must simply pay or hand over the cheque to your banker, who will collect the amount from the banker named on the cheque, and credit your banking a/c. with the amount. Therefore the ordinary or **general crossing** of a cheque is equal to writing across it *payable through a bank only* ; while writing across it the name of a bank is equal to saying to your banker *pay through this bank only*. The latter method is called a **special crossing.**

In the following example the Lloyds Bank Limited, would be compelled to pay the £56 10s. 6d. to Beckett & Co., as the crossing specially directs it. When cheques are to be sent by post they should always be crossed. If, when drawing a cheque, you should cross it by mistake, you may **open** it, *i.e.*, cancel the crossing, by writing across the cheque *Pay Cash*, and adding your signature. A person receiving a crossed cheque, who has no banking a/c., must either hand it over to a person who has a banking a/c. or lodge it at a bank for collection and call in a few days for the cash. In the latter case a small commission would be charged. A cheque which is *not* crossed is sometimes spoken of as an **open cheque.** Should you wish to draw a cheque so that none but the payee may obtain the cash, it would be necessary not only to *specially cross* it and mark it *not negotiable*, but also to strike out *or order* and insert *only*, which alteration would require initialling. A **blank cheque** is one signed by the drawer without the amount being filled in. Such a cheque is sometimes sent in payment of goods, the exact cost of which is only known to the payee, who fills in the amount.

SPECIALLY CROSSED CHEQUE.




**63.** In practice there are **four essentials** in **drawing** a **cheque**; that is **filling** up a **cheque form.**

**1.** The **date** should always be that upon which the cheque is actually drawn or made out, although it is not invalid by reason only that it is *undated*, *ante-*

*dated* (dated *before* the true time), or *post-dated* (dated *after* the true time), or that it bears date on a Sunday. An undated cheque would be refused by the banker and marked *Incomplete*. Post-dated cheques cannot be cashed until the arrival of the day named thereon, and those dated on a Sunday cannot be cashed until the following business day.

**2.** The **name** of the **payee,** that is the person to whom it is made payable, must be clearly and boldly written. When withdrawing money from the bank for yourself the word *Self* or *Selves* must be written in the place provided for the name of the payee.

**3.** The **amount** must be clearly stated in **words** in the body of the cheque, and in figures at the left-hand bottom corner. It is named twice to save uncertainty, and as a precaution against fraud. Although the banker is bound in *law* by the words it is the *practice* to return a cheque in which the words and figures do not agree, marked *amounts differ*. Where figures only are given the cheque would be returned marked *Incomplete*. Should the amount be altered it must be initialled by the drawer, otherwise payment will be refused.

**4.** The **signature** of the **drawer** or payer must be clearly written at the foot of the cheque. When an **officer** of a **company** draws a cheque he should sign as follows :—*Per pro. Leeds Steel Co., Ltd.,*

*James Day, Manager.*

Before tearing the cheque out of the book you should enter on the **Counterfoil** at least four items :—Date ; name of payee ; what the payment is for ; and the amount.

**64.** A **Banker** is his **customer's debtor** when the balance of the a/c. is in the customer's favour, and an ordinary cheque on a banker is a Bill of Exchange payable **on demand,** directing the banker (the drawee) to pay money to some payee. The **authority** of a banker to pay a cheque drawn on him by his customer is **determined** or rendered void by—(1) Countermand or

**stopping** of payment by the customer in writing. (2) Notice of customer's death. (3) Notice of customer's bankruptcy. (4) The operation of a Garnishee Order.

Although the drawer is liable for six years on a cheque, a banker would probably refuse to cash a cheque six months old as **stale.** The **holder** of a cheque should pay it into the bank not later than the day after he has received it, as if retained longer he runs the risk of the bank failing, in which case he becomes the banker's creditor. Where a cheque has been torn in pieces and pasted together the bank would generally return it, marked *Cheque mutilated.*

A banker is bound to know his **customer's handwriting** as drawer, and if a banker pays a cheque on which the drawer's name is **forged,** the loss falls on the banker. The same rule applies if the body of a cheque be in *part* forged, as in a case of a cheque for *Six Pounds,* £6, which might easily be altered to *Sixty,* £60 ; but not if so carelessly drawn as to facilitate or invite fraud.

If a **banker disobeys** the **crossing** (that is, if he pays a crossed cheque across the counter or a specially crossed cheque to the wrong banker), he is liable to the true owner of the cheque for any damage he may sustain through such payment.

**65.** When a **crossed cheque** is marked **Not negotiable,** it means that the receiver shall not have, and shall not be capable of giving, a better title to the cheque than the person from whom he took it had. If the person who transfers the cheque had a good title, the taker is safe ; otherwise, though he presents the cheque and gets the money, he may have to refund it. These two words *do not prevent transfer* of a cheque, but merely constitute a **caution** addressed to the receiver or transferee and really mean—**Beware of the Transferor**—the person handing you the cheque. If you accepted such a cheque from a stranger in return for some goods, and on presentation it was found that the stranger had

stolen it, you, although innocent, would lose the value thereof, which would be restored to its lawful owner, who is protected from loss by these two words. The banker on whom the cheque is drawn may pay it to any banker who presents it if crossed generally, or to the banker named if it be crossed specially, and the banker who receives the money may pay it to his customer, and neither banker, if he has acted in good faith and without negligence, will be liable to refund the money. The words *not negotiable* themselves do *not* constitute a crossing, but are usually *part* of a crossing.

**66.** How are **CHEQUES entered** in the **JOURNAL ?**

**a.** All cheques **received** by you must be treated as ordinary cash receipts, and therefore **debited** against the **Cash A/c.,** and credited to the person or a/c. paying them to you. You will place them in your cash-box, and when balancing will reckon them along with the gold and silver as part of your balance.

**b.** Some merchants make a practice of endorsing and paying away cheques which they have received from their customers to others, to whom they are indebted ; in which case the person to whom it is paid is debited and Cash A/c. credited. For instance, you receive a cheque from E. Hart for £28 (which you debit to cash) and hand it on to your Creditor, G. Allen. The Journal entry on remitting to Allen would be—

*G. Allen..Dr.* £28. *To Cash* - £28.

**c.** If you draw a cheque in favour of a merchant from your own cheque book your Cash A/c. is *not* affected thereby, because the merchant would present and obtain the cash for the cheque from your banker. Therefore you would debit the merchant and **credit** the **Bank A/c.,** not the Office Cash A/c. When you require cash for the office use you draw a cheque in favour of *Self.* This is called *drawing Cheque for Cash*, and would be journalised thus :—*Cash Dr. To Bank.*

**d.** At least thrice a week a merchant should pay his surplus cheques, &c., into the bank, the entry for this transaction being *Bank Dr. To Cash.* The cash is handed to the banker's cashier or **teller,** accompanied by a paying-in-slip, or—

**67. CREDIT SLIP,** upon which is entered the amount of the bills, cheques, notes, and coin ; the total thereof being credited to the payer by the banker. The advantage of the use of this slip is that it can be referred to in case there should arise any dispute as to the amount intended to be paid in. Most Credit Slips have Counterfoils attached to them, in which case you would enter the particulars on the Counterfoil for reference. Most customers get the Counterfoil initialled by the banker's clerk, while others require the amount to be entered in the Pass Book. Credit Slips and Cheques form the basis of the **Slip System** of Book-keeping used in all banks.

**To the Yorkshire Banking Company, Limited.**

| | | | |
|---|---|---|---|
| Bank of England Notes.. | 100 | - | - |
| Country Notes .. .. | 20 | - | - |
| £1 Treasury Notes .. | 40 | - | - |
| 10s. „ „ .. | 10 | - | - |
| Gold .. .. .. | 10 | - | - |
| Silver and Copper .. | 12 | - | - |
| Total Cash .. | 192 | - | - |
| Local Cheques and P.O.'s | 83 | 10 | - |
| Country Cheques .. .. | 264 | 17 | 6 |
| London Cheques .. .. | 119 | 2 | 6 |
| Bills .. .. .. | 300 | - | - |
| Total £ | 959 | 10 | - |

*2nd March,* 1919.

Credit *the Current Account of*

.....*Self*.....

*with the sum of* £959 : 10 : -

*paid in by*

*ALBERT PUPIL*

**68. CASH** not only includes the current Coins of the realm, Treasury Notes, Cheques, M.O. and P.O., but also **BANK NOTES,** which are promissory notes on some bank, payable to bearer on demand. Those banks privileged to issue notes are known as **Banks of Issue.** Very few of these issue notes of a greater value than £5. The only bank issuing notes of a greater value than

£100 is the Bank of England, which is the largest banking concern in the world. **The Bank** as it is called, issues notes for £5, £10, £20, £50, £100, £500, and £1,000. In Scotland and Ireland £1 notes are common.

However useful and convenient **cheques** may be, they are not *legal tender*, and they cannot at all times take the place of coin. For instance, if you make a purchase at a sale by auction, where you are unknown, the Auctioneer would not accept a mere cheque in payment of your indebtedness. He would, however, readily take any number of Bank of England notes, as they represent gold. The **advantage** of **Treasury** and **Bank Notes** over large amounts of coin is evident, particularly when it is remembered that 1,000 sovereigns weigh over 21 lbs. troy.

**Notes** issued by any bank other than the Bank of England are called *Country Notes*, in order to distinguish them from the *Bank Notes* issued by the Bank of England, which enjoys the exclusive privilege of issuing notes in London and for many miles around.

**69. COMBINATIONS** in **Journalising** are indicated by asterisks or stars. * It frequently happens that transactions of a **similar nature** occur on the **same date,** in which case they should be combined in order to reduce the number of entries and postings. For instance, all the three transactions on March 5th, in the next exercise are in respect of goods sold. Instead of journalising each item separately, and writing *To Goods* three times, you may combine them as shown below, thus saving two entries and postings for goods :—

| | | | | | |
|---|---|---|---|---|---|
| *March* 5. | *Henry Hoole*.....*Dr.* | £2 | 7 | – | |
| | *George Grace*..... „ | 19 | – | – | |
| | *Edwin Hart* ..... „ | 27 | 10 | – | |
| | *To Goods* ..... | | | £48 | 17 – |
| *March* 12. | *Goods* .....*Dr.* | £29 | 9 | – | |
| | *To George Allen* ..... | | | £16 | 2 – |
| | „ *Cassell & Co.* ..... | | | 10 | – |
| | „ *Cash* ..... | | | 3 | 7 – |

When **posting** the combined sum of £48 17 – to the Goods A/c. in the Ledger, you cannot say *By Hoole, Grace and Hart*, but must use the word—

**70. Sundries,** which denotes *more than one a/c.* This word is generally employed when posting an amount made up of more than one item.

**Exercise 21.**

Journalise the following transactions of Albert Pupil, whose Ledger balances on 1st March, stood thus :—

| 1907. | | | Dr. | | | Cr. | | |
|---|---|---|---|---|---|---|---|---|
| Mar. 1. | Cash | Dr. | 401 | 19 | 2 | | | |
| | Goods | „ | 175 | – | – | | | |
| | Thomas Gee | „ | 30 | – | – | | | |
| | Henry Hoole | „ | 3 | 7 | – | | | |
| | Field & Co. | | | | | 8 | 16 | – |
| | George Allen | | | | | 11 | 8 | – |
| | Cassell & Co. | | | | | 14 | 12 | – |
| | Capital | | | | | 575 | 10 | 2 |
| | | | £610 | 6 | 2 | £610 | 6 | 2 |

| | *Transactions.* | £ | s. | d. |
|---|---|---|---|---|
| Mar. 2. | Paid into Bank (par. 66*d*) | 390 | – | – |
| „ 3. | Bought Goods of Cassell & Co. | 25 | – | – |
| „ 4. | Paid Cash for Cheque Book (Trade Exs.) | – | 8 | 4 |
| „ 5. | *Sold Henry Hoole, Goods (par. 69) | 2 | 7 | – |
| „ 5. | * „ George Grace, Goods | 19 | – | – |
| „ 5. | * „ Edwin Hart, Goods | 27 | 10 | – |
| „ 6. | Sent Cassell & Co. crossed cheque (par. 66*c*) | 39 | 12 | – |
| „ 8. | Bought of Cassell & Co., Goods | 45 | – | – |
| „ 9. | Received Cheque from Edwin Hart (66*a*) | 28 | – | – |
| „ 11. | Sold Goods to Edwin Hart | 34 | – | – |
| „ 12. | *Bought Goods of George Allen (par. 69) | 16 | 2 | – |
| „ 12. | * „ „ Cassell & Co. | 10 | – | – |
| „ 12. | * „ „ for Cash | 3 | 7 | – |
| „ 13. | Sold Goods for Cheque (par. 66*a*) | 5 | – | – |
| „ 13. | Paid Wages in Cash (Trade Exs.) | 4 | – | – |
| „ 15. | Sent Cheque recd. from E. Hart to G. Allen (66*b*) | 28 | – | – |
| „ 16. | Received crossed cheque from Henry Hoole | 5 | 14 | – |
| „ 17. | Paid into Bank | 10 | 14 | – |
| „ 18. | *Sent Cassell & Co. a cheque (par. 69) | 45 | – | – |
| „ 18. | * „ Thomas Gee a cheque | 15 | – | – |
| „ 20. | Drew Cheque for Cash (par. 66*c*) | 15 | – | – |
| „ 22. | Sold George Grace, Goods | 10 | – | – |
| „ 24. | Bought of Field & Co., Goods | 17 | – | – |
| „ 26. | Sent Cheque to Field & Co. | 8 | 16 | – |
| „ 28. | Received Cheque from Thomas Gee | 45 | – | – |
| „ 30. | Paid Rent by cheque (Trade Exs.) | 10 | – | – |
| „ 30. | „ for Gas by cheque (Trade Exs.) | 8 | 7 | – |
| „ 31. | Cash Sales during month (par. 53*c*) | 90 | 6 | 8 |

Post. Make T/B. *Value of Stock* £196. Prepare B/S.

### Exercise 22.

Journalise ; Post ; make T/B. ; close a/cs. and draw B/S.

| 1907. | | £ | s. | d. |
|---|---|---|---|---|
| Apl. 1. | The Cashier had in hand (par. 39) ..... | 2000 | – | – |
| „ 2. | Paid to Bank (par. 66*d*) ..... | 1950 | – | – |
| „ 3. | Bought from Prince & Co., 500 yards Cloth.. | 190 | – | – |
| „ 4. | Received from Coop & Co., 320 yards Cloth.. | 40 | – | – |
| „ 4. | Received from Bank (par. 66*c*) ..... | 40 | – | – |
| „ 4. | Paid Coop & Co., 4 £10 notes (Cash) ..... | 40 | – | – |
| „ 5. | Sold George Webb, 120 yards Cloth ..... | 30 | 4 | 8 |
| „ 6. | Received from George Webb, 2 £5 notes (Cash) | 10 | – | – |
| „ 6. | Bought from Coop & Co., Silk ..£145 – – Satin.. 72 17 6—217 | 17 | 6 | |
| „ 8. | Paid Fire Insce. Premium by cheque (T/E) .. | 4 | 10 | – |
| „ 9. | Forwarded G. Webb, Velvets, £30, Satin, £29 6 | 59 | 6 | – |
| „ 10. | Bought for Cash, Silk ..... | 12 | 10 | – |
| „ 11. | Paid to Bank ..... | 20 | – | – |
| „ 11. | Received from Dodd & Co., Cheque (66*a*) ... | 10 | – | – |
| „ 12. | Bought from George Webb, 300 yards Cloth.. | 66 | – | – |
| „ 14. | Sent Dodd & Co., Silks, £38, Cloth, £16 ..... | 54 | – | – |
| „ 15. | Sold Goods for Cash ..... | 14 | 10 | 6 |
| „ 16. | Bought from Coop & Co., Goods ..... | 20 | – | – |
| „ 19. | Bought from James Land—Merino ..£37 10 Stuffs ..177 10—215 | – | – | |
| „ 23. | Paid Borough Rate by Cheque (T/E.) ..... | 5 | 5 | – |
| „ 26. | Cash Sales (par. 53*c*) ..... | 400 | – | – |
| „ 30. | Paid into Bank, ..... | 350 | – | – |
| „ 30. | Paid Salary with £10 note, Cash (T/E) ..... | 10 | – | – |
| „ 30. | Paid Sundry Trade Expenses in Cash ..... | 25 | – | – |

*Value of Goods unsold,* £399 10s. 0d.

**71. INTEREST** is the premium or sum paid by a borrower for the use of money, and is usually charged at so much per cent. per annum. It is also the produce of employed capital. For example, in Ex. 23 you will find that the Capital invested is £700. It will be clear that had your business borrowed this £700 from a money lender you would have had to pay the interest thereon. And likewise when you employ **your money** in your own business it must be treated as a **loan** to the **business,** and interest charged by you in respect thereof, as though it were lent to you by someone else, or invested in some security. **Interest** on **Capital,** whether your own—the trader's—*or borrowed Capital,* is a charge against or a loss to the business, and an allowance or gain to the lender ; hence, journalise thus :—

*May* 31. *Interest A/c.* *Dr.* £2 15 –
*To Capital A/c.* (*or Lender's A/c.*) £2 15 –

**72. BANK CHARGES** include interest on overdrafts, commission on cheques and drafts, charges for cheque books, postages, and for collecting cheques payable abroad. While all Banks charge interest on overdrawn A/cs., most of them also allow interest on the minimum monthly balance of the Current A/cs. of their customers. The **Commission** charged by Banks to their customers for cashing cheques drawn by them varies from 1/6 to 2/6 per cent. It is customary for Banks to balance their books every half-year, when the Pass Books are also balanced and ruled off. When an a/c. is **overdrawn** (that is where the customer owes a balance to the bank) an entry will appear on the Dr. side of the Pass Book (in provincial banks) for *Bank Charges*, to cover the interest on the amount owing, and commission, &c. This amount may be debited to the *Trade Exs. A/c.* and credited to the Bank. On the other hand, when you have a balance at the Bank you will find **Interest** added to the Cr. side of the Pass Book, in which case you would journalise as follows :—

*June* 30. *Bank*.....*Dr.* £3 5 –
*To Interest A/c*.....£3 5 –

or enter on the **Dr.** side of the Cash Book :—

*June* 30. *To Bank Interest*....£3 5 –

**73. DISCOUNT** is an abatement or allowance made upon the payment of a sum of money, and usually takes the form of a percentage deduction. Thus, if you purchase goods value £10, and the invoice states $2\frac{1}{2}\%$ *in* 30 *days*, it means that the seller will accept any time *within* 30 days from the date of the invoice, the sum of £9 15 – in discharge, thereby allowing 5/- for discount. There are two forms of commercial discount. (*a*) **Cash** Discount is an allowance made on the *prompt payment* of a debt, or before it is due, or for payment within a given period, as illustrated above. The price paid for the advantages of Ready Money. (*b*) **Trade** discount is an allowance (usually specified on the invoice) made by

wholesale merchants to retail dealers (irrespective of time), varying from 2½ to 95%, in accordance with the custom of each particular trade.

Discount **allowed by you,** being a *loss,* is *debited,* while that **allowed to you,** being a *gain,* is *credited,* to the **Discount A/c.** Being a deduction from the amount owing, the Discount is *always* entered *underneath* and in the *same column* of the Journal as the Cash, thus :—

| | | | | |
|---|---|---|---|---|
| *May* 10. | *Cash* ..... *Dr.* | £30 | – | – |
| | *Discount A/c.* ..... „ | – | 16 | – |
| | *To Arthur Carr* ..... | | 30 | 16 – |
| „ 15. | *Penn & Co.* ..... *Dr.* | £105 | – | – |
| | *To Bank* ..... | | 100 | – – |
| | „ *Discount A/c.* ..... | | 5 | – – |

**Dr.** (Ex. 23). **Arthur Carr.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| May 4 | To Goods ..... | 30 | 16 | - | May 10 | By Cash ..... | 30 | - | - |
| „ 12 | „ do. ..... | 24 | 15 | - | „ „ | „ Discount..... | - | 16 | - |
| | | | | | „ 31 | „ *Balance c/d*.... | 24 | 15 | - |
| | £ | 55 | 11 | - | | £ | 55 | 11 | - |

**Dr.** (Ex. 23). **Penn & Co.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| May 15 | To Bank ..... | 100 | - | - | May 1 | By Balance ..... | 57 | 18 | - |
| „ „ | „ Discount ..... | 5 | - | - | „ 15 | „ Goods ..... | 56 | 16 | - |
| „ 31 | „ *Balance c/d.* ... | 9 | 14 | - | | | | | |
| | £ | 114 | 14 | - | | £ | 114 | 14 | - |

**Dr.** (Ex. 23). **My Discount A/c.** **Cr.**

| 1907 | *Allowed by me.* | £ | s. | d. | 1907 | *Allowed to me.* | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| May 10 | To A. Carr ..... | - | 16 | - | May 15 | By Penn & Co. ... | 5 | - | - |
| „ 29 | „ W. Fell..... | - | 5 | - | | | | | |
| „ 31 | „ *Transfer to P. & L. A/c.* | 3 | 19 | - | | | | | |
| | £ | 5 | - | - | | £ | 5 | - | - |

On **balancing** the Ledger transfer the *differences* of the Interest and Discount A/cs. to the P. & L. A/c., and enter—*To* or *By Interest A/c.* or *Discount A/c.*

## Exercise 23.

Journalise, post, make T.B. ; close a/cs. and prepare B/S.

| 1907. | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| May 1. | Cash in hand (*N. B. at foot of page*) | 39 | 10 | – | | | |
| | „ Bank | 332 | 8 | – | | | |
| | Goods valued at | 350 | 10 | – | | | |
| | Thomas Aller owes me | 35 | 10 | – | 757 | 18 | – |
| | I owe Penn & Co. | | | | 57 | 18 | – |
| | *Transactions :—* | | | | | | |
| „ 4. | *Sold Goods to Arthur Carr | | | | 30 | 16 | – |
| „ 4 | * „ „ Thomas Aller | | | | 45 | 12 | – |
| „ 5. | Received Cash for Goods | | | | 37 | 7 | 6 |
| „ 5. | Paid Cash into Bank | | | | 70 | – | – |
| „ 10. | Recd. from Arthur Carr, Cash (73) £30 – – | | | | | | |
| | And I have allowed him Discount – 16 – | | | | 30 | 16 | – |
| „ 11. | Withdrew from Bank | | | | 10 | – | – |
| „ 12. | Thomas Aller paid into my Banking A/c. | | | | 50 | – | – |
| „ 12. | Paid Cheque for Goods | | | | 67 | 10 | – |
| „ 12. | *Sold Arthur Carr, Goods | | | | 24 | 15 | – |
| „ 12. | * „ Walter Fell, Goods | | | | 48 | 5 | – |
| „ 14. | Paid for Stationery (Trade Expenses) | | | | 4 | 16 | – |
| „ 15. | Bought of Penn & Co., Goods | | | | 56 | 16 | – |
| „ 15. | Paid Penn & Co., Cheque (73) £100 – – | | | | | | |
| | And they allowed me Discount 5 – – | | | | 105 | – | – |
| „ 15. | Received from Walter Fell, Bank Notes | | | | 40 | – | – |
| „ 20. | Cash Sales (par. 53*c*) | | | | 36 | 12 | 6 |
| „ 29 | Received M.O. from Walter Fell (73) £8 – – | | | | | | |
| | And I allowed him Discount – 5 – | | | | 8 | 5 | – |
| „ 30. | Pd. Rent of Wareh'se by Cheque (Trade Exs.) | | | | 20 | – | – |
| „ 30. | Paid into Bank | | | | 75 | – | – |
| „ 31. | Paid Sundry Trade Expenses for month | | | | 7 | 17 | 6 |
| „ 31. | Paid Wages in Cash (Trade Expenses) | | | | 4 | 10 | – |
| „ 31. | Interest on Capital (par. 71) | | | | 2 | 15 | – |

*Value of Stock*, £310.

**N.B.**—(*a*) In the opening entries the amount of the Capital is not given. It may be easily ascertained by deducting the only liability to Penn & Co., of £57 18s. 0d. from the total of the four items of assets £757 18s. (See par. 28.) Journalise the opening or starting entries thus :—

| 1907. | | *Dr.* | | | *Cr.* | | |
|---|---|---|---|---|---|---|---|
| *May* 1. | *Cash* ..... *Dr.* | 39 | 10 | – | | | |
| | *Bank* ..... „ | 332 | 8 | – | | | |
| | *Goods* ..... „ | 350 | 10 | – | | | |
| | *Thomas Aller* ..... „ | 35 | 10 | – | | | |
| | *To Penn & Co.* ..... | | | | 57 | 18 | – |
| | „ *Capital* ..... | | | | 700 | – | – |
| | | £757 | 18 | – | 757 | 18 | – |

**74. BAD DEBTS.** (Also par. 95a. p. 85.) During the course of your business career you will no doubt meet with customers who will purchase goods and fail to pay for them. Some of these will become insolvent and bankrupt, while others will abscond or run away. From the former you may receive a composition or dividend upon the amount owing; but from the latter a total loss will be likely to accrue. The result in either case is a bad debt, which may be defined as a debt receivable, that is sure to result in either a partial or a total loss. When you sustain a loss of this character, it must be *written off*, and a **Bad Debts A/c.** must be opened, to which the amount lost must be debited. Like discount, the amount of the bad debt is *always* entered *underneath* and in the *same column* of the Journal as the *Cash* received. For instance, "Received cheque for Debt of C. Bond, being first and final dividend of 10/- in the £ on £70," would be journalised thus :—

| | | | |
|---|---|---|---|
| *June* 4. | *Cash* ..... | *Dr.* | £35 |
| | *Bad Debts A/c.* ..... | „ | £35 |
| | *To Charles Bond* ..... | | £70 |

It is clear that if you merely credited Bond with the Cash, his a/c. would show an asset of £35, which would not be the fact, as you have accepted that sum in **discharge** of the £70, therefore Bond is legally relieved of future liability in respect of his debt, and his a/c. must be closed by being credited with the full amount. (See page 85.)

Whenever you are made aware that one of your **debtors** has died or absconded and left **no assets** behind, or has become bankrupt, and his assets are insufficient to cover the expenses attending the bankruptcy proceedings, or when a debt receivable has become **statute barred,** through absence of acknowledgment for *six* years, you must at once *debit* the *Bad Debts A/c.* and *credit* the *debtor* with the full amount.

Should you be surprised one day by receiving an amount previously written off as bad or irrecoverable, you would *credit* the Bad Debts A/c. therewith.

On **balancing** the Ledger, the *difference* of the Bad Debts A/c., which is merely a sub-division of and subsidiary to the P. & L. A/c., must be transferred to the latter A/c., and entered *To Bad Debts A/c.*, £95.

**Dr.** **Bad Debts A/c.** (Ex. 24). **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| June 4 | To C. Bond 10/- .. | 35 | - | | June30 | *By Transfer to P. & L. A/c.* | 95 | - | - |
| „ 27 | „ Stocks&Co.,13/4 | 60 | - | - | | | | | |
| | £ | 95 | - | - | | £ | 95 | - | - |

**Dr.** **Chas. Bond,** Dock Street, Hull. **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| June 1 | To Balance .. b/d | 70 | - | - | June 4 | By Cash ..... | 35 | - | - |
| | | | | | | „ Bad Debt .... | 35 | - | - |
| | £ | 70 | - | - | | £ | 70 | - | - |

**75. CHARGES ON GOODS.** The purchase and sale of goods generally necessitates their conveyance from one place to another, and sometimes their lodgment in warehouses, and on docks or wharves. All charges for or in respect of the conveyance or warehousing of the goods increase the cost and must be debited to a **Carriage A/c.,** the *total* of which must be carried to the Trading or P. & L. A/c. when balancing. The payment of carriage should be recorded in the Cash Book, thus :—

*June* 15. *By Carriage*.....£18 10*s.*

**76. PETTY CASH** is a sum of money allotted for the payment of small and trivial expenses ; such as Postage Stamps, Carriage on Parcels, String, Newspapers, Stationery, Travelling Expenses, Subscriptions, Time Tables, Gratuities, Matches, &c. An advance is made from the General Cash to Petty Cash A/c., the latter being debited and the former credited. The balance of Petty Cash is, of course, an asset. The **Petty Cash Book** is usually kept by a junior clerk, in which he records, in a convenient form for combined posting, the numerous small expenses above mentioned. The method generally adopted is that known as the **Imprest System,** whereby an *even, fixed* sum is advanced by the Cashier to the Petty Cash Keeper, the total of his petty payments being refunded to him at the end of the

month, thus leaving him with the same fixed or *imprest amount in hand*, for the petty expenses of the following month. The Petty Cash Book therefore only needs one side, seeing that it is Dr. for a *fixed* amount. In small businesses the **total** of each month's disbursements is debited to the Trade Exs. A/c., while in larger concerns the items are analysed either by tabular columns or otherwise, and carried to their respective a/cs. in the Ledger, on balancing the books. The six analytical columns in the example given in the appendix may, of course, be dispensed with.

In working exercises, a solitary P.C. payment may be journalised thus :—*June* 30, *Trade Expenses Dr. To Petty Cash*, £4 7*s.* 10*d.*, this being posted to a Petty Cash A/c. in the Ledger. When there are several items the more **practical** method of keeping a Petty Cash Book should be adopted, which, of course, dispenses with the necessity of keeping an ordinary Ledger A/c.

**Dr.** **Petty Cash Book.** (Ex. 24). **Cr.**

| £ s. d. | 1907 | | £ s. d. |
|---|---|---|---|
| 5 – – | June 1 | To Cash ..... | |
| | „ 30 | By Sundry Trade Expenses .... | 4 7 10 |
| | „ 30 | „ *Balance* ..... c/f | – 12 2 |
| £5 – – | | | £5 – – |

**Exercise 24.**

(*These opening entries are shown on page* 95.)

| *Liabilities*—1st June, 1907. | £ | s. | *Assets*— | £ | s. |
|---|---|---|---|---|---|
| Due to William Smith | 135 | – | Cash at Bank ..... | 1237 | 10 |
| Do. Walter Rudd.. | 165 | – | Do. Office ..... | 53 | 10 |
| Do. Martin Kidd .. | 209 | – | Goods valued at..... | 755 | – |
| Do. John Ball..... | 59 | 15 | Due from Alfred Wells | 123 | 15 |
| Albert Pupil's Capital | 1850 | – | Do. Stocks & Co. | 79 | – |
| | | | Do. Charles Bond | 70 | – |
| | | | Do. Henry Bell | 100 | – |

June 1. Advanced for Petty Cash (*By Petty Cash*) ..... £5
„ 2. Sold Alfred Wells, Goods for Cash ..... 125
„ 2. Paid Walter Rudd, cheque £164 2/-, Dis. 18/- ... 165
„ 2. Paid into Bank ..... 100
„ 2. Remitted William Smith on a/c. by cheque (N.B.*c*) 100
„ 4. Received Cheque for Debt of C. Bond, being first and final dividend of 10/- in the £ on £70 (74).. 35
5. *Sold Caleb Brett, Goods ..... 90
5 *Sold Alfred Wells, Goods ..... 43
6. *Received cheque from Alfred Wells ..... 100
6 * Do. do. Henry Bell ..... 50

| | | | | | |
|---|---|---|---|---|---|
| June 7. | Paid cheques received into Bank (66*d*) ... | £150 | – | – |
| „ 9. | Bought of Martin Kidd, Goods ..... | 550 | – | – |
| „ 9. | Remitted (sent) him cheque on a/c..... | 200 | – | – |
| „ 11. | Sold Henry Bell, Goods ..... | 78 | 10 | – |
| „ 12. | Sold goods for cheque, paid it bank to-day (*N.B.d*) ..... | 93 | – | – |
| „ 14. | Drew cheque on bank for cash (66c) ..... | 50 | – | – |
| „ 15. | Paid Carriage A/c. in cash (75) ..... | 18 | 10 | – |
| „ 17. | Paid Cash for Repairs ..... | 17 | 15 | – |
| „ 18. | Sold Stocks & Co., goods for cash (*N.B.a*) | 160 | – | – |
| | And on credit ..... | 101 | – | – |
| „ 20. | Bought of John Ball, goods ..... | 20 | 5 | – |
| „ 23. | Bought goods for cheque £300, for cash £20 | 320 | – | – |
| „ 24. | Paid rent by crossed cheque ..... | 40 | – | – |
| „ 24. | Received from Alfred Wells, cheque £60 – – | | | |
| | Discount allowed by me ..... 3 15– | 63 | 15 | – |
| „ 25. | Sent J. Ball cheque in settlement £76, Dis.£4 | 80 | – | – |
| „ 27. | Received from Stocks & Co., a composition of 13/4 in the £ in discharge of debt £180 (74) ..... | 120 | – | – |
| „ 29. | Paid into Bank ..... | 310 | – | – |
| „ 30. | Cash Sales during month (53c) ..... | 317 | 10 | – |
| „ 30. | *Paid Trade Expenses by cash ..... | 24 | 6 | – |
| „ 30. | * Do. do. petty cash (76) ..... | 4 | 7 | 10 |
| „ 30. | *Due* to Midland Railway Co. for Carriage (*N.B.b*) ..... | 23 | 4 | 5 |
| „ 30. | Interest credited to my a/c. at Bank (72).. | 3 | 5 | – |
| „ 30. | Interest on Capital (71) ..... | 7 | 14 | – |
| | *Value of Goods* £990. | | | |

**N.B.**— (*a*) In Journalising debit Cash £160, Stocks & Co. £101. To Goods £261. In practical work put total in Sales Book.

(*b*) This amount is not paid, but merely *due*, therefore journalise *Carriage A/c. Dr. To Midland Rly. Co.*

(*c*) "On a/c." means "in part payment of a larger sum."

(*d*) When a cheque is received and paid into Bank same day the Bank should be debited and *not* Office Cash.

**77. PARTNERSHIP** is the relation which subsists between persons, known as a **firm,** jointly carrying on business in common with a view to the acquisition of gain. The combination of two or more (not exceeding twenty) persons called Partners, to carry on any business or trade, each sharing the profits and losses as may be previously arranged. The chief **advantages** of a partnership are union of capital and union of different qualities. Although not absolutely necessary, it is customary and expedient for partners to have prepared by a Solicitor and to sign a stamped Agreement known as *Articles of Partnership*, setting forth the terms

arranged between them. The **death** or bankruptcy of any ordinary or general partner dissolves the partnership unless otherwise stipulated by an Agreement. In a **Limited Partnership,** which must be registered, there must be one or more *general* partners liable for all the debts of the partnership, and one or more *limited* partners, who are liable for such debts to a stated amount only.

An a/c. should be opened for each partner's capital : the entry for the first item in the next exercise being :—

*July* 1. *Cash* .....*Dr.* £2,000
*To Albert Pupil's Cap. A/c.* ..£1,000
,, *Leo Pupil's do.* ..£1,000

In **practical** work these two amounts would be entered on the **Dr.** side of the Cash Book, office column.

As the shares of the partners are in this case equal, you will, when closing the P. & L. A/c., share the *Net Profit* equally between them as shown below :—

**Dr.** **Profit & Loss A/c.** (Ex. 25). **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Carriage A/c. ... | 20 | 5 | - | July 31 | By Gross Profit from Timber A/c. ... | 232 | 15 | - |
| ,, ,, | ,, Wages A/c. ..... | 16 | - | - | | | | | |
| ,, ,, | ,, Bad Debts A/c. | 62 | - | - | | | | | |
| ,, ,, | ,, Interest A/c. .. | 6 | 5 | 7 | | | | | |
| ,, ,, | ,, Discount A/c. .. | 3 | 19 | 9 | | | | | |
| ,, ,, | ,, Trade Exs. A/c. | 18 | 5 | 6 | | | | | |
| ,, ,, | ,, *Capital A/cs.* :— | | | | | | | | |
| | *A.Pupil* £52 19 7 | | | | | | | | |
| | *L.Pupil* £52 19 7 | 105 | 19 | 2 | | | | | |
| | | £232 | 15 | - | | | £232 | 15 | - |

**78. DRAWINGS OF PARTNERS** are those amounts, or the value of those goods, which are **withdrawn** by them from the firm for their private use, during the progress of the business, in anticipation of profits. These sums must not be debited to their Capital a/c., but a *subsidiary* a/c. to the Capital a/c., known as a **Drawings a/c.,** for each partner must be opened and debited. The **interest** allowed on the capital of each partner (see par. 71), as well as his share of the profit realised or loss sustained, must be placed to his **Capital A/c.** unless a **Current A/c.** is kept, in which case they may be transferred thereto. **Partner's Salaries** should be debited to the P. & L. A/c. **Drawings** and **Current A/cs.** are balanced in the ordinary manner,

but being subsidiary to the Capital A/cs. the *difference* of each must be transferred to the *Capital A/c.* affected. The items on the 16th July in Ex. 25 would be entered on the **Cr.** side of the Cash Book in the Bank column, or journalised thus :—

*A. Pupil's Drawings A/c* ..... *Dr.* £10
*L. Pupil's do.* ..... „ 10
*To Bank* ..... £20

If the **withdrawals** of the partners are *unequal*, **interest** should be charged thereon, Ex. 42, thus :—

*C. Maxey's Drawings A/c.* *Dr.* £1 6 5
*W. Bell's* „ „ 10 11
*To Interest A/c.* .. £1 17 4

**Dr.** **Albert Pupil's Capital A/c.** **Cr.**

| 1907 | | | £ | s. | d. | 1907 | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Drawings A/c. | | 20 | - | - | July 1 | By Cash .... | | 1000 | - | - |
| „ 31 | „ *Balance* ..... | c/d | 1037 | 2 | 11 | „ 31 | „ Interest | | 4 | 3 | 4 |
| | | | | | | „ 31 | „ Net Profit | | 52 | 19 | 7 |
| | | £ | 1057 | 2 | 11 | | | £ | 1057 | 2 | 11 |
| | | | | | | Aug. 1 | By Balance | b/d | 1037 | 2 | 11 |

**Dr.** **Albert Pupil's Drawings A/c.** **Cr.**

| 1907 | | | £ | s. | d. | 1907 | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| July 16 | To Bank ..... | | 10 | - | - | July 31 | *By Transfer to* | | | | |
| „ 30 | „ Do. ..... | | 10 | - | - | | *Capital A/c* .. | | 20 | - | - |
| | | £ | 20 | - | - | | | £ | 20 | - | - |

**Dr.** **Leo Pupil's Capital A/c.** **Cr.**

| 1907 | | | £ | s. | d. | 1907 | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Drawings A/c | | 20 | - | - | July 1 | By Cash .... | | 1000 | - | - |
| „ 31 | „ *Balance* ..... | c/d | 1037 | 2 | 11 | „ 31 | „ Interest | | 4 | 3 | 4 |
| | | | | | | „ 31 | „ Net Profit | | 52 | 19 | 7 |
| | | £ | 1057 | 2 | 11 | | | £ | 1057 | 2 | 11 |
| | | | | | | Aug. 1 | By Balance | b/d | 1037 | 2 | 11 |

**Dr.** **Leo Pupil's Drawings A/c.** **Cr.**

| 1907 | | | £ | s. | d. | 1907 | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| July 16 | To Bank ..... | | 10 | - | - | July 31 | *By Transfer to* | | | | |
| „ 30 | „ Do. ..... | | 10 | - | - | | *Capital A/c.* | | 20 | - | - |
| | | £ | 20 | - | - | | | £ | 20 | - | - |

**Balance Sheet of PUPIL BROS., on 31st July, 1907.**

| Liabilities. | £ | s. | d. | Assets. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Sundry Creditors :— | | | | Cash in hand ...£38 17 9 | | | |
| Tree & Co. ..... | 40 | - | - | Cash at Bank ..548 3 7 | | | |
| **Capital :—** | | | | Petty Cash .... 2 3 6 | | | |
| Albert Pupil £1037 2 11 | | | | | 589 | 4 | 10 |
| Leo Pupil ..£1037 2 11 | | | | Sundry Debtors :— | | | |
| | 2074 | 5 | 10 | Benjn. Dean..£21 - 3 | | | |
| | | | | Howe & Co...173 10 - | | | |
| | | | | Clifford Pears 83 - - | | | |
| | | | | Samuel Giles 57 10 9 | | | |
| | | | | | 335 | 1 | - |
| | | | | Stock of Timber ..... | 990 | - | - |
| | | | | Goodwill ..... | 200 | - | - |
| £ | 2114 | 5 | 10 | £ | 2114 | 5 | 10 |

**79. GOODWILL.** Perseverance and industry are usually successful, and a commercial or professional man who has worked steadily through the weary period of probation finds, sooner or later, that his goods or services are in fairly constant demand. This is seldom due, however, to the number of his promiscuous customers or clients, but rather to the fact that certain persons go to him regularly. These regular customers have confidence in the man, and *goodwill* towards him ; and they constitute what has been well called his **connection,** commercial or professional, thus affording him the security of a fairly constant income. The labour and expense by which he has acquired a reputation and gained the good feeling of these persons, would, in the event of his leaving the neighbourhood, be completely lost to him, were it not that experience has shown that in many cases, part of this goodwill may be transferred to another. There are generally to be found persons who are eager to acquire in this way, as it were, a **ready made business,** and who are willing to pay large sums of money for the opportunity of so doing. Goodwill has been defined as (1) " Nothing more than the chance that the old customers will resort to the old place." (2) " That connection in a trade which induces customers to deal with the persons who carry on the business." (3) " The benefits and advantages accruing from the habitual customers of a successful business."

(4) "The advantage or benefit which is acquired by an establishment beyond the mere value of the capital employed therein, in consequence of the general public patronage and encouragement which it receives from constant or habitual customers on account of its local position, or common celebrity, or reputation for skill or affluence or punctuality, or from other accidental circumstances or necessities, or even from partialities or prejudices."

While Goodwill has a cash value when a business is being sold or a partner admitted, it is not generally available for the discharge of ordinary liabilities, and being therefore of such an uncertain and a precarious character, Goodwill should generally be *written off* or depreciated by annual instalments until it is extinguished.

The **price** paid for Goodwill is generally based on the *average net profits.* For instance, a business which has produced an average annual net profit of £100 might be bought at the price of *two years' purchase*, viz.: £200. The price varies from one year's purchase to five, and from the few pounds paid for the Goodwill of a small retail shop to the millions obtained on the flotation of a large limited Company.

In purchasing a business the amount *un*expended by the purchaser is called **Working Capital.** In Ex. 25 Pupil Bros. commence business with £2,000, and they purchase from Exley his business for £1,500, thus leaving them £500 with which to *work* the business. In Ex. 25 journalise the purchase of the business thus :—

| | | | | | |
|---|---|---|---|---|---|
| *July* 1. | *Goodwill A/c.* | *Dr.* | £200 | – | – |
| | *Timber A/c.* | „ | 950 | – | – |
| | *Benjamin Dean* | „ | 21 | 10 | 3 |
| | *Howe & Co.* | „ | 111 | 15 | 2 |
| | *Clifford Pears* | „ | 24 | 6 | 7 |
| | *George Peel* | „ | 93 | – | – |
| | *Samuel Giles* | „ | 49 | 8 | – |
| | *Oliver Helm* | „ | 50 | – | – |
| | *To John Exley* | | | | £1500 |

**Exercise 25.**

Albert and Leo Pupil commenced business on the first July, 1907, as Timber Merchants, under the style or firm of Pupil Bros., each with cash £1000. (See par. 77.) (Practical see page 112.)

On the same day they purchased for £1500 in cash the business of John Exley, including the Goodwill, for £200; Stock of Timber for £950, and Book Debts as follows:—Benjn. Dean, £21 10 3; Howe & Co., £111 15 2; Clifford Pears, £24 6 7; George Peel, £93; Samuel Giles, £49 8; Oliver Helm, £50. (See par. 79.)

*Do not forget to record the payment to Exley of* £1500 *in cash.*

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| July | 2. | Opened Bank A/c. and deposited | 450 | – | – |
| „ | 3. | *Sent Timber to Clifford Pears | 39 | 10 | – |
| | 3. | * Do. Samuel Giles | 15 | 6 | 9 |
| | | *(Use the name Timber A/c. in this Ex. instead of Goods.)* | | | |
| „ | 4. | Advanced to Petty Cash (76) | 10 | – | – |
| „ | 4. | Rec. cheque from C. Pears £23, Dis. £1 6 7 | 24 | 6 | 7 |
| „ | 5. | Bought Timber from Tree & Co. | 168 | 10 | – |
| „ | 5. | Paid Carriage thereon by cheque (75) | 10 | 7 | 6 |
| „ | 5. | Sold Timber for Cash | 26 | 4 | 3 |
| „ | 5. | Paid into Bank | 50 | – | – |
| „ | 8. | Sold Timber for cheque | 78 | 10 | – |
| „ | 9. | Remitted Tree & Co., cheque £160, Dis. £8 10 | 168 | 10 | – |
| „ | 11. | Bought of Tree & Co., Timber | 146 | – | – |
| „ | 11. | *Sold Timber to Howe & Co. | 173 | 10 | – |
| „ | 11. | * Do. Benjamin Dean | 29 | 10 | – |
| „ | 11. | * Do. Oliver Helm | 63 | 8 | – |
| „ | 12. | Paid Cheque into Bank (66*d*) | 78 | 10 | – |
| „ | 12. | Paid Cash for Carriage of Timber (75) | 9 | 17 | 6 |
| „ | 13. | Paid Borough Rate in Cash (Trade Exs.) | 10 | 9 | – |
| „ | 14. | Drew Cheque for Cash (66*c*) | 20 | – | – |
| „ | 15. | Rec. cheq. from Howe&Co. £106, Dis. allowed | 5 | 15 | 2 |
| „ | 16. | *Albert Pupil drew cheque for private use (78) | 10 | – | – |
| „ | 16. | *Leo Pupil Do. do. | 10 | – | – |
| „ | 16. | Drew cheque for Wages (80) | 8 | – | – |
| „ | 17. | Endorsed cheque received from Howe & Co. and sent it to Tree & Co., on a/c. (66*b*) | 106 | – | – |
| „ | 19. | George Peel failed and paid into our Banking A/c. a composition of 6/8 in the £ on £93 (74) | 31 | – | – |
| „ | 23. | Recd. cheques (paid into Bank same day) | 183 | – | – |
| | | From *Benjamin Dean on a/c. | 30 | – | – |
| | | *Samuel Giles on a/c. | 45 | – | – |
| | | *Oliver Helm, £108, Dis. £5 8 – | 113 | 8 | – |
| | | (*Bank Dr.* £183, *Dis. Dr.* £5 8 –) | | | |
| „ | 26. | *Sold Timber to Clifford Pears | 43 | 10 | – |
| „ | 26. | * Do. Samuel Giles | 37 | 16 | – |
| „ | 30. | Albert and Leo Pupil each drew a cheque for £10 for private use (78) | 20 | – | – |
| „ | 30. | Drew Cheque for Wages (80) | 8 | – | – |
| „ | 31. | Bank Interest credited (72) | 2 | 1 | 1 |
| „ | 31. | Credit Int. on Cap. in each case (71) £4 3 4 | 8 | 6 | 8 |
| „ | 31. | Paid Sundry Trade Exs. out of Petty Cash | 7 | 16 | 6 |
| | | *Value of Timber in Yard,* £990. | | | |

**80.** A separate **Wages A/c.** must be opened for Ex 25. This a/c. is, of course, subsidiary to the P. & L A/c., and on balancing the books the *total* of the Wages A/c. must be transferred to the Dr. side of the P. & L. A/c., and entered :—*To Wages A/c.*, £16.

**Dr.** **Wages A/c.** (Ex. 25). **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 16 | To Bank | 8 | - | - | July 31 | *By Transfer to* | | | |
| „ 30 | „ Do. .. | 8 | - | - | | *P. & L. A/c.* | 16 | - | - |
| | | £16 | - | - | | | £16 | - | - |

**81. PROPERTY** or **ASSET A/CS.** are those which record all your transactions in every description of property, such as goods, mines, buildings, fixtures, furniture, machinery and plant, implements and tools, horses and carts, cattle, ships, stocks and shares, debentures, mortgages, bills of exchange, goodwill, patents, copyright. Like a Goods or Purchases A/c., on purchasing any kind of property you open an a/c. in respect thereof, and **debit** it with the cost. And on the contrary, when value goes out on the occasion of a sale or a loss, **credit** the a/c. affected thereby. Should any portion of property remain *unsold* at the time of **balancing,** the value thereof would represent an **asset,** and would require including in the Balance Sheet. After insertion of *value on hand* (if any) on the Cr. side, any *difference* between the two sides of the a/c. would represent either a loss or a gain, and would accordingly need transfering to P. & L. A/c.

**Rent, Interest, Dividends,** also any other form of **income** or **revenue** arising from any description of property must be *credited* to the proper subsidiary P. & L. A/c., and *not* to the Property or Asset A/c.

The amount paid for ordinary **Repairs, Painting,** and other **Expenses** of either fixed or movable property, being necessary for the *maintenance of its value*, are charges against income, and must be *debited* to the proper subsidiary P. & L. A/c. and *not* to the Property A/c.

The cost of permanent **improvements** and **additions,** however, which materially *increase the original value* of

the property, such as the erection of an additional wing to a building, a new roof, the paving of a street, the sinking of a new shaft, a new engine or boiler, a new body for a cart, new office furniture, &c., must be debited to the Property A/c. concerned. Nearly all forms of property, even when kept in good repair, are, however, subject to—

**82. DEPRECIATION,** which is a periodical deduction in respect of the **diminished value** of any form of property caused by wear and tear and antiquity. It will be quite clear to you that buildings, fixtures, machinery, tools, utensils, carts, &c., must waste away and become obsolete, therefore it is only right that their value should be shown to have been reduced by an ample deduction or **writing off** from their previous value. There are various methods of estimating Depreciation, and of recording alterations in value, but it may be said in regard to any of them that the object in view is so to treat the **nominal** capital in the books, that it shall always represent as nearly as possible the **real** value. The best plan is to establish *average rates* which can without much trouble, be *written off* every year. Thus, if you contracted for the laying down of an engine and a boiler at a cost of £500, and *depreciated* the same at the rate of 7½% annually for 10 years, on the *diminishing* value, or balance of the asset, the result would be that, at the end of 10 years, the value would appear in your Ledger at £229. The account below shows the amounts credited in respect of depreciation for the first five years.

**Dr.** **Engine & Boiler A/c.** **Cr.**

| 1901 | | £ | s. | d. | 1901 | | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Cost | 500 | - | - | Dec.31 | By Depreciation | 37 | 10 | - | By Bal. | 462 | 10 | - |
| 1902 | | | | | 1902 | | | | | | | | |
| Jan. 1 | ,, Bal. | 462 | 10 | - | Dec.31 | ,, Do. | 34 | 13 | 9 | ,, Do. | 427 | 16 | 3 |
| 1903 | | | | | 1903 | | | | | | | | |
| Jan. 1 | ,, Do. | 427 | 16 | 3 | Dec.31 | ,, Do. | 32 | 1 | 9 | ,, Do. | 395 | 14 | 6 |
| 1904 | | | | | 1904 | | | | | | | | |
| Jan. 1 | ,, Do. | 395 | 14 | 6 | Dec.31 | ,, Do. | 29 | 13 | 7 | ,, Do. | 366 | - | 11 |
| 1905 | | | | | 1905 | | | | | | | | |
| Jan. 1 | ,, Do. | 366 | - | 11 | Dec.31 | ,, Do. | 27 | 9 | - | ,, Do. | 338 | 11 | 11 |
| 1906 | | | | | | | | | | | | | |
| Jan. 1 | ,, Do. | 338 | 11 | 11 | | | | | | | | | |

Journalise **Depreciation** thus :—

*April* 30. *Depreciation A/c.* Dr. £6.
*To Office Furniture, etc.* £6

On **balancing** the books the *total* of the *Depreciation A/c.* should be carried to the **Dr.** side of the P. & L. A/c. and entered : *To Depreciation A/c.*

**Dr.** **Depreciation A/c.** **Cr.**

| 1911 | | £ | s. | d. | 1911 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Dec. 31 | To Engine & Boiler, 7½% | 37 | 10 | - | Dec. 31 | *By Transfer to P. & L. A/c.* | 115 | - | - |
| ,, ,, | ,, Machinery, 10% .... | 50 | - | - | | | | | |
| ,, ,, | ,, Office Furniture, 7½% | 7 | 10 | - | | | | | |
| ,, ,, | ,, Horses & Carts, 10% | 20 | - | - | | | | | |
| | | £ 115 | - | - | | | £ 115 | - | - |

**Dr.** **Machinery A/c.** **Cr.**

| 1911 | | £ | s. | d. | 1911 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Balance ..... | 500 | - | - | Dec. 31 | By Depreciation .. | 50 | - | - |
| | | | | | ,, ,, | ,, *Balance* ....c/d | 450 | - | - |
| | | £ 500 | - | - | | | £ 500 | - | - |

The following are some approximate **Rates** of Depreciation on diminishing values :—

| | |
|---|---|
| Freehold Dwellinghouses, Warehouses, Factories, and Offices, excluding value of land .. | 1½% to 2½% |
| Factories subject to rough usage .. .. .. | 2½% to 5% |
| Wood and Iron Buildings .. .. .. .. | 5% to 10% |
| Fixed Plant .. .. .. .. .. .. | 5% to 7½% |
| Stationary Engines and Boilers .. .. .. | 7½% to 10% |
| Portable Engines and Boilers .. .. .. | 10% to 15% |
| Contractors' Locomotives .. .. .. .. | 15% to 20% |
| Machinery .. .. .. .. .. .. | 5% to 10% |
| Furniture and Fixtures .. .. .. .. | 7½% to 10% |
| Horses .. .. .. .. .. .. | 15% to 25% |
| Ships .. .. .. .. .. .. .. | 5% to 6% |
| Trucks and Waggons .. .. .. .. | 7½% to 10% |

**83. A/CS. OF STOCKS AND SHARES** must be kept in the same manner as a Goods A/c., purchases being debited and sales credited. In balancing the a/c. the value of those on hand (which should be the *average market price*) is placed on the credit side like "Value of Goods unsold," and the *difference* between the two sides is carried to the P. & L. A/c. Of course, the balance of stocks or shares unsold is an asset. The

Capital and Revenue A/cs. of an investment are frequently kept together as follows :—

**Dr.** **Leeds Corporation.** **Cr.**

| | | Interest. £ | s. | d. | Principal. £ | | | Interest. £ | s. | d. | Principal. £ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1913 Jan. 1 | To 2½% Stock..... | | | | 500 | 1913 | | | | | |
| June 30 | „ ½ Year's Div. ..£6 5 – Less Income Tax – 7 4 | 5 | 17 | 8 | | July 2 | By Cash | 5 | 17 | 8 | |
| Dec. 31 | „ ½ Year's Div. ..£6 5 – Less Income Tax – 7 4 | 5 | 17 | 8 | | Dec. 31 | „ „ | 5 | 17 | 8 | |

**84. SHIP A/C.** This a/c. is treated in the same way as other property a/cs. An adequate allowance for depreciation, dependent upon whether it is a Liner, a " Tramp " Steamship, or a Sailing Vessel, should be credited. Repairs to the Ship would be debited to the P. & L. A/c., but substantial improvements, such as new boilers, engine, propeller, deck, rigging, &c., would increase the value of the ship, and therefore be debited to the Ship A/c.

**Dr.** **The S.S. " Empress."** **Cr.**

| 1910 | | £ | s. | d. | 1910 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Balance b/d... | 62000 | - | - | Dec. 31 | By Depreciat'n 5% | 3109 | 15 | - |
| May 2 | „ New Propeller | 110 | - | - | „ „ | „ *Balance c/d* .. | 59085 | 5 | - |
| Sept. 5 | „ Cable & Anchor | 85 | - | - | | | | | |
| | £ | 62195 | - | - | | £ | 62195 | - | - |
| 1911 | | | | | | | | | |
| Jan. 1 | To Balance ...b/d | 59085 | 5 | - | | | | | |

A separate a/c. would require to be opened for each ship or steamer, as well as for each voyage. The **Voyage A/c.** must be credited with all charges for freight and passengers, and debited with all costs and expenses incurred in connection with the voyage such as fuel, oil, repairs, painting, insurance, loading, dock dues, wages of the crew, &c. You must balance the **Voyage** or **Working A/c.** on completion of the voyage and take the difference to the general P. & L. A/c.

## PRACTICAL BOOK-KEEPING.

**85.** You cannot have failed to notice in working the preceding exercises, that the majority of the transactions consist of :—

(1) The receipt and payment of Cash.

(2) The buying and selling of Goods.

While you cannot bestow too much care in obtaining a thorough grasp of the principles of journalising, it is found inconvenient in actual business to journalise every transaction (as in the *Continental System*) and therefore other Journals are brought into use, which, although greatly diminishing the labour entailed in mere journalising, do not interfere with, or in any degree sacrifice, the principle of double entry. By the employment of these subsidiary books, or *Books of Original Entry*, transactions of a similar nature are *collected* together, hence the number of original entries and Ledger postings is materially reduced ; and thus we get what is known as the **English System** of Book-keeping.

Some of the books required in practical work are :—

**1. Cash Book,** for entering Cash received and paid, whether Office or Bank ; also for Discounts.

**2. Purchases Journal** or **Bought Book,** for entering Goods bought on credit ; also purchases for **cash,** where creditor's name is given.

**3. Sales Journal** or **Sold Book,** for entering Goods sold on credit ; also *sales for cash*, where debtor's name is given, and particularly sales to regular customers.

**4. Journal Proper,** for transactions which cannot be entered in any of the above books ; also for adjustments and transfers from one book or a/c. to another.

**5. Ledger,** for abstracting or classifying the contents of the above and other subsidiary books.

In order to be able to work **Exercise 26,** which is specially designed for illustrating the practical method it will be necessary to carefully read paragraphs 86, 87, 97, 100, 102 only. **All** the **exercises** should now be **worked practically.**

# CASH BOOK.

**86.** Although in none of the foregoing exercises have the transactions in cash exceeded sixteen, they are, however, so much more numerous in real business that it has been found necessary to record them in a book set apart for that purpose.

With one exception the method of entering the Cash Account Book is the same as that employed in entering the Cash A/c. of the Ledger. The exception being that, instead of *posting* the Cash A/c. *from* the Journal as you have hitherto done, you will now enter the *cash* transactions **direct** into the **Cash A/c. Book,** which therefore becomes a *Book of Original Entry*. You will therefore see that this book is *not* a subsidiary book but part of the principal book, and that it is neither more nor less than a **volume** of the **Ledger** bound up separately for the sake of convenience. The **Dr.** and **Cr. pages** of the Cash Book must always *face each other*.

**87.** As Cashier, you will enter on the left-hand or **Dr.** side all your receipts of Cash, giving the date ; the name of the firm **To** whom you are indebted for what you have received ; and the amount. While on the right-hand or **Cr.** side you will enter all your payments of cash, giving the date ; the name of the firm **By** whom you are credited for what you have paid ; and the amount. The Cr. side is sometimes called *Contra*, which is a Latin word meaning, opposite, against, on the other side. As you cannot pay away more *office cash* than you receive, the credit side can never exceed the debtor. In business, while it is not usual to **balance** the Cash Book in ink oftener than once a month, it is well to check the balance each day. This is done by placing the totals on a slip of paper, finding the difference and comparing it with the cash in hand. A **Reconciliation Statement** should be prepared showing the detailed contents of the Cash Box, the total of which

should represent, exactly, the difference between the two sides of the Cash Book, thus :—

| | | | |
|---|---|---|---|
| **Dr.** side of Cash Book ..... | £1215 | 17 | – |
| **Cr.** side of Cash Book ..... | 883 | 9 | 6 |
| **Balance of Cash** .. | £332 | 7 | 6 |

**In Cash Box :—**

| | | | | |
|---|---|---|---|---|
| Cheques ..... | £215 | – | – | |
| Notes ..... | 98 | 10 | – | |
| Silver ..... | 10 | 16 | 6 | |
| P.O. ..... | 7 | 19 | 6 | |
| Copper ..... | – | 1 | 6 | £332 7 6 |

**88. Posting the Cash Book.** In order to comply with the principle of double entry every item debited to cash must be credited to some other a/c. in the Ledger ; and every item credited to cash must be debited to some other a/c. in the Ledger ; therefore, the items on the **Debit** side of the Cash Book must be *posted* to their respective accounts on the opposite or **Credit side** of the **Ledger,** thus :—*Date, By Cash, Fol., Amount* ; and the items on the **Credit** side of the Cash Book must be *posted* to their a/cs. on the opposite or **Debit side** of the **Ledger,** thus :—*Date, To Cash, Fol., Amount.*

**SINGLE COLUMN CASH BOOK** for Exercise 26.

**Dr.** *CASH.* *CONTRA.* **Cr.**

| 1907 | | L. F. Cr. | £ | s. | d. | 1907 | | L. F. Dr. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug. 1 | To Capital... | | 1000 | - | - | Aug. 8 | By Goods ..... | | 46 | 15 | - |
| ,, 10 | ,, Goods ... | | 31 | 1 | - | ,, 11 | ,, Wages ..... | | 11 | 1 | - |
| ,, 13 | ,, Ezra Jones | | 8 | 14 | - | ,, 13 | ,, James Cecil... | | 78 | 4 | - |
| ,, 14 | ,, EdwinFox | | 4 | 16 | - | ,, 15 | ,, Goods ..... | | 57 | 5 | - |
| ,, 17 | ,, Goods ... | | 43 | 1 | - | ,, 16 | ,, Alfred Scott .. | | 79 | 16 | - |
| ,, 18 | ,, EzraJones | | 20 | - | - | ,, 17 | ,, James Cecil... | | 150 | - | - |
| ,, 22 | ,, Goods ... | | 45 | 11 | 6 | ,, 21 | ,, Goods ..... | | 65 | 15 | - |
| ,, 29 | ,, EdwinFox | | 9 | - | - | ,, 23 | ,, Alfred Scott .. | | 27 | 4 | - |
| ,, 30 | ,, Goods ... | | 53 | 13 | 6 | ,, 25 | ,, Wages ..... | | 9 | 1 | - |
| | | | | | | ,, 26 | ,, James Cecil... | | 233 | 14 | - |
| | | | | | | ,, 28 | ,, Goods ..... | | 67 | 1 | 6 |
| | | | | | | ,, 30 | ,, Rent ..... | | 50 | - | - |
| | | | | | | ,, 30 | ,, TradeExpenses | | 7 | 13 | - |
| | | | | | | ,, 30 | ,, *Balance* ..... | c/d | 332 | 7 | 6 |
| | | £ | 1215 | 17 | - | | | £ | 1215 | 17 | - |
| Sept. 1 | To Balance | b/d | 332 | 7 | 6 | | | | | | |

**89. BANK COLUMNS.** As the majority of traders have banking a/cs. and pay most of their creditors by cheques, payable " on demand," it is found economical and convenient to record the Bank transactions in the Cash Book. This is an excellent arrangement, particularly when you remember that what the banker does is simply to conduct some of your cash transactions, therefore it is only proper that the records of *all* cash transactions, whether conducted by yourself or your Banker, should be made in the same book, a **Double Column Cash Book.**

If you will substitute the word "Bank " for the word " Cash " in par. 86 you will find that it is applicable to Bank transactions. See Cash Book for Ex. 21, page 84.

**90.** All **payments by cheque** must be entered on the **Cr. side** of the Cash Book, in the **Bank Column,** because the bank pays the money on presentation of the cheque. If you draw a cheque for the purpose of obtaining Cash for the office as in Ex. 21, " March 20, Drew Cheque for Cash, £15," such a transaction will require *two entries.* In the first place it is a *payment by the Bank* of £15, therefore enter on the **Cr.** side in the **Bank** Column—*By Office*, £15 ; and in the second place the *Cash-box receives* £15 ; therefore enter on the **Dr.** side in the **Office** Cash Column—*To Bank*, £15.

Not only does a payment *by* the Bank to Office need entering twice in the Cash Book, but also a payment *to* the Bank by Office " March 2. Paid into Bank, £390." This requires recording on the **Cr.** side in the **Office** column—*By Bank*, £390, and on the **Dr.** side in the **Bank** column—*To Office*, £390. The reason why such transactions require entering twice is, of course, in order to carry out the principle of double entry, which in these particular transactions is *completed* in the Cash Book, no posting of these items being necessary.

The imaginary difficulty arising from making both entries in the Cash Book soon vanishes if you will but mentally journalise the transactions thus :—*Cash Dr. To Bank* £15 and *Bank Dr. To Cash* £390. By adopting this suggestion you perceive at once upon which side and in which column the entry must be made.

**91. Cheques received** by you will be placed in the *Cash-box*, and being **Cash** receipts must be entered in the **Dr. Office** column. If a *single* Cheque be paid into **Bank** the **same day** as received, then enter it in the **Bank** column only.

**92. BALANCING BANK COLUMNS.** The debit Bank column should be an exact copy of one side of the Bank Pass Book, and the credit Bank column should be an exact copy of the Cheque side of the Bank Pass Book. An unpresented or dishonoured cheque would, of course, cause a disagreement between the balance of the two books, as also would Bank Charges or Interest. In the case of the Bank debiting you with **Bank Charges** you must enter the amount in the **Cr.** Bank column of the Cash Book—*By Bank Charges.* On the Bank allowing or crediting you with **Interest,** the entry would be *To Interest* £3 5 – in the **Dr.** Bank Column.

**93.** Your Bank Pass Book should always either agree or be made to agree with your Cash Book. If the balances of the two books should disagree a **Reconciliation Statement** should then be made out as follows :—

| | | | | | |
|---|---|---|---|---|---|
| Mar. 31. | "Pass Book" Balance ..... | | £277 | 6 | – |
| | Less cheques not presented :— | | | | |
| ,, 30. | A. Day—Rent ..... | £10 – – | | | |
| ,, 30. | Leeds Gas Co. ..... | 8 7 – | 18 | 7 | – |
| | | | 258 | 19 | – |
| | Plus cheques paid in but not yet credited ... | | (nil) | | |
| | Agreeing with your Cash Book.... | | £258 | 19 | – |

**94. POSTING Bank Columns** The posting of the items in the Bank columns is similar to the posting of the items in the Office columns, except that you may enter *To* or *By Bank* instead of *Cash.*

As the Cash and Bank columns take the place of those a/cs. in the General Ledger, and are therefore complete a/cs. in themselves, the *equalising items* between Bank and Office do *not* need to be posted, but should be **ticked** or marked *Con.* (for *Contra*) in the Led. Fol. column, so as to facilitate the posting of the remaining entries.

## TWO COLUMN CASH BOOK for Exercise 21.

**Dr.** *CASH.* *CONTRA.* **Cr.**

| Date of Receipt. | Ledger Accounts. | Led. Fol. Cr. | Cash Received. At Office. £ | s. | d. | At Bank. £ | s. | d. | Date of Payment. | Ledger Accounts. | Led. Fol. Dr. | Payments made. In (Cash) Office. £ | s. | d. | By (Cheq.) Bank. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1907 | **Receipts.** | | | | | | | | 1907 | **Payments.** | | | | | | | |
| Mar. 1 | To *Balance* .... | b/f | 401 | 19 | 2 | | | | Mar. 2 | By *Bank* ..... | — | 390 | - | - | | | |
| ,, 2 | ,, *Office* ..... | — | | | | 390 | - | - | ,, 4 | ,, ChequeBook | | | 8 | 4 | | | |
| ,, 9 | ,, Edwin Hart | | 28 | - | - | | | | ,, 6 | ,, Cassell & Co. | | | | | 39 | 12 | - |
| ,, 13 | ,, Goods ..... | | 5 | - | - | | | | ,, 12 | ,, Goods ..... | | 3 | 7 | - | | | |
| ,, 16 | ,, Henry Hoole | | 5 | 14 | - | | | | ,, 13 | ,, Wages ..... | | 4 | - | - | | | |
| ,, 17 | ,, *Office* ..... | — | | | | 10 | 14 | - | ,, 15 | ,, George Allen | | 28 | - | - | | | |
| ,, 20 | ,, *Bank* ..... | — | 15 | - | - | | | | ,, 17 | ,, *Bank* ..... | — | 10 | 14 | - | | | |
| ,, 28 | ,, Thomas Gee | | 45 | - | - | | | | ,, 18 | ,, Cassell & Co. | | | | | 45 | - | - |
| ,, 31 | ,, Goods ..... | | 90 | 6 | 8 | | | | ,, ,, | ,, Thomas Gee. | | | | | 15 | - | - |
| | | | | | | | | | ,, 20 | ,, *Office* ..... | — | | | | 15 | - | - |
| | | | | | | | | | ,, 26 | ,, Field & Co. | | | | | 8 | 16 | - |
| | | | | | | | | | ,, 30 | ,, Rent ..... | | | | | 10 | - | - |
| | | | | | | | | | ,, ,, | ,, Gas ..... | | | | | 8 | 7 | - |
| | | | | | | | | | ,, 31 | ,, *Balances* ... | c/d | 154 | 10 | 6 | 258 | 19 | - |
| | | £ | 590 | 19 | 10 | 400 | 14 | - | | | | 590 | 19 | 10 | 400 | 14 | - |
| April 1 | To Balances ... | b/d | 154 | 10 | 6 | 258 | 19 | - | | | | | | | | | |

**95. DISCOUNT COLUMNS.** The receipt and payment of Cash is so frequently accompanied with the allowance of discount that it has been found advantageous to keep the Discount A/c. in that *section* of the Ledger known as the Cash Book, so that the allowance for **discount** may be entered at the *same time* ; on the *same side* of the book, and on the *same line* as the cash entry, but in a **different column,** thus resulting in the **Three Column Cash Book** shown on the next page.

Each item of discount must be added to or **posted** along with its accompanying cash item to the proper Personal A/c. and entered thus : *To* or *By Cash*, and *To* or *By Discount*. See page 64.

The **totals** of the Discount columns, as shown on page 86, must be carried to the Discount A/c. in the Ledger and balanced as shown below. In large concerns separate a/cs. are kept in the impersonal ledger for **Discounts Received** and **Discounts Allowed.**

**Dr.** **Discount A/c. (Ex. 23.)** **Cr.**

| 1907 | | £ | s. | 1907 | | £ |
|---|---|---|---|---|---|---|
| May 31 | To Sundry Debtors per Cash Book | 1 | 1 | May 31 | By Sundry Creditors per Cash Book | 5 |
| | „ *Transfer to P. & L. A/c.* .. | 3 | 19 | | | |
| | | £ 5 | - | | | 5 |

**95a.** When a composition or dividend of so much in the £ is received in discharge of a debt, *only* the amount *actually* received must be entered in the Cash Book, and the remainder, being a **Bad Debt,** must be recorded in the Journal, thus :—

*June* 4. *Bad Debts A/c.* .....*Dr.* £35
*To Charles Bond* ..... £35

**96.** In some business establishments another narrow column is ruled by the side of the date columns, the one on the **Dr.** side being used for inserting the **number** of the counterfoil of the **receipt** given for the money ; and the one on the **Cr.** side being used for inserting the **number** of the **voucher** received in acknowledgment of the payment. Payments to the principals or partners should be initialled by them in the voucher column.

## Three Column CASH BOOK for Exercise 23.

**Dr.** *CASH.* — *CONTRA.* **Cr.**

| Date. | Receipt No. | Ledger Accounts. | Led. Fol. Cr. | Discount allowed to C'stomer. | Cash Received. At Office. | Cash Received. At Bank paid in. | Date. | Vouch'r No. | Ledger Accounts. | Led. Fol. Dr. | Discount allowed by Creditor. | Payments made. In (Cash) Office. | Payments made. By (Cheque) Bank drawnout |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1907 | | **Receipts.** | | £ s. d. | £ s. d. | £ s. d. | 1907 | | **Payments.** | | £ s. d. | £ s. d. | £ s. d. |
| May 1 | | To *Balance* ... | b/f | | 39 10 - | 332 8 - | May 5 | | By *Bank* ..... | — | | 70 - - | |
| „ 5 | | „ Goods ..... | | | 37 7 6 | | „ 11 | | „ *Office* ..... | — | | | 10 - - |
| „ „ | | „ *Office* ..... | — | | | 70 - - | „ 12 | | „ Goods .... | | | | 67 10 - |
| „ 10 | 1 | „ Arthur Carr | | | 16 - 30 - - | | „ 14 | | „ Stationery . | | | 4 16 - | |
| „ 11 | | „ *Bank* ..... | – | | 10 - - | | „ 15 | 2 | „ Penn & Co. | | 5 - - | | 100 - - |
| „ 12 | 2 | „ Thos. Aller | | | | 50 - - | „ 30 | 3 | „ Rent ..... | | | | 20 - - |
| „ 15 | 3 | „ Walter Fell | | | 40 - - | | „ „ | | „ *Bank* ..... | — | | 75 - - | |
| „ 20 | | „ Goods .... | | | 36 12 6 | | „ 31 | | „ TradeExpns | | | 7 17 6 | |
| „ 29 | 4 | „ Walter Fell | | | 5 - 8 - - | | „ „ | | „ Wages .... | | | 4 10 - | |
| „ 30 | | „ *Office* ..... | — | | | 75 - - | „ „ | | „ *Balances* .. | c/d | | 39 6 6 | 329 18 - |
| | | „ Dis. A/c. Dr. | | £1 1 - | | | | | „ Dis. A/c. Cr. | | £5 - - | | |
| | | | | | £201 10 - | £527 8 - | | | | | | £201 10 - | £527 8 - |
| June 1 | | To Balances .. | b/d | | 39 6 6 | 329 18 - | | | | | | | |

8 cr.

## PURCHASES DAY BOOK.

**97.** This Special Journal or *Book of Original Entry*, is sometimes called the **Bought Book,** or **Invoice Book,** from the fact that into it are *daily* copied (after having been checked and initialled) the invoices which you receive in respect of the **goods bought on credit,** as well as **for cash,** where the creditor's name is given. It must record the date of each purchase ; the name of the seller ; and the quantity, name, class, price, and cost of the goods. A second method is to merely copy the *date*, *name* and *amount* (entirely omitting all the details), and after numbering the invoice, to place it on a **file** for future reference, which is an excellent method.

**Trade Discount** must be *deducted* in the first or details column, and only the net amount of the purchase carried into the second or total column.

It is found useful for purposes of reference to insert the **number** of the **invoice** in a special column ruled by the side of the Led. Fol. Col.

In some business houses, however, instead of using a Purchases Book or file, they prefer to use a **Guard Book.** This is a large Scrap Book made of cartridge paper and folioed, into which all the invoices received are folded, endorsed and pasted. Money columns run down the right-hand side of each page, into which are extended the totals of the various invoices, thus :—

*Folded Invoice endorsed and pasted in Guard Book.*

| | Led. Fol. | | | | |
|---|---|---|---|---|---|
| 2nd August, 1907 | | | | | |
| James Cecil ..... | Cr. 1 | £78 | 4 | - | |

**98. POSTING.** All the persons named in your Purchases Book being your **creditors,** you will therefore post the amounts to the **Credit side** of their personal a/cs. in the Ledger, and enter the *Date*, *By Goods*, *Fol.*, *Amount*. As the **total** of the Purchases Book represents Goods coming **in** or purchases, it must be posted **monthly** to the **debit side** of the **Goods** or **Purchases A/c.** by entering the *Date*, *To Sundries*, *P.B.*, *Fol.*, *Amount*.

**Purchases Book** for Exercise 26.

| Date. | Particulars. | Led. Fol. Cr. | Details. £ | s. | d. | Totals. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| 1907 | | | | | | | | |
| Aug. 2 | **James Cecil.** | | | | | | | |
| | 720 yards Cotton @ 1/1 | | 39 | - | - | | | |
| | 672 ,, Zanella @ 1/2 | | 39 | 4 | - | 78 | 4 | - |
| ,, 4 | **Alfred Scott.** | | | | | | | |
| | 336 yards Satin @ 4/9 | | | | | 79 | 16 | - |
| ,, 9 | **James Cecil.** | | | | | | | |
| | 1000yards Tapestry @ 3/- | | | | | 150 | - | - |
| ,, 17 | **James Cecil.** | | | | | | | |
| | 1290 yards Shirting @ 2/6 | | 161 | 5 | - | | | |
| | 138 ,, Cretonne @ 10/6 | | 72 | 9 | - | 233 | 14 | - |
| ,, 19 | **Alfred Scott.** | | | | | | | |
| | 384 yards Diaper @ 1/5 | | | | | 27 | 4 | - |
| ,, 27 | **Alfred Scott.** | | | | | | | |
| | 168 yards Worsted @ 7/- | | 58 | 16 | - | | | |
| | 84 ,, Satin @ 10/- | | 42 | - | - | 100 | 16 | - |
| | **Goods or Purchases A/c. Dr.** | | | | £ | 669 | 14 | - |

**99.** You will observe that by entering all the credit purchases in a special book, as above, instead of journalising such transactions, a great saving of labour is effected. Had the above six transactions been journalised, six postings to the Goods A/c. in the Ledger would have been necessary, but the **total** only of a Purchases Book needs posting to the Goods or Trading A/c., as below :—

**Dr.** **GOODS A/c., Exercise 26.** **Cr.**

| 1907 | Purchases. | | £ | s. | d. | 1907 | Sales. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug. 8 | To Cash ..... | | 46 | 15 | - | Aug. 10 | By Cash ..... | | 31 | 1 | - |
| ,, 15 | ,, Do. ..... | | 57 | 5 | - | ,, 17 | ,, Do. ..... | | 43 | 1 | - |
| ,, 21 | ,, Do. ..... | | 65 | 15 | - | ,, 22 | ,, Do. ..... | | 45 | 11 | 6 |
| ,, 28 | ,, Do. ..... | | 67 | 1 | 6 | ,, 30 | ,, Do. ..... | | 53 | 13 | 6 |
| ,, 31 | ,, S'ndriesP.B. | | 669 | 14 | - | ,, 31 | ,, SundriesS.B. | | 56 | - | - |
| ,, ,, | ,, *Gross Profit* | | 104 | 6 | 6 | ,, ,, | ,, *Bal. (stock)* | c/d | 781 | 10 | - |
| | | £ | 1010 | 17 | - | | | £ | 1010 | 17 | - |
| Sept. 1 | To Balance ... | b/d | 781 | 10 | - | | | | | | |

## SALES DAY BOOK.

**100.** This Special Journal or *Book of Original Entry* is called the **Day Book,** because in it is *daily* recorded particulars of **goods sold on credit,** as well as for **cash,** where the debtor's name is given. It must specify the date of sale, the name and address of the buyer, and the quantity, name, class, price, and cost of the goods. Sometimes the method of delivery and any special terms agreed upon are also stated, thus :—*Per L. & Y. Ry.* ; *Carr. pd.* $2\frac{1}{2}\%$ *one month.* These particulars are obtained from the *Order Book*, into which they were entered on receipt of the order. While the rulings of the **Order Book** vary, of course, with the character of the business, the principal columns are :—(1) Date Received (2) Name and Address (3) Description of Goods ordered (4) Price (5) Date sent (6) Description of Goods sent (7) Sales Book Folio.

In some establishments each order is entered upon a separate **printed form,** and after execution these **sheets,** which really form part of the **Slip System** of Book-keeping, are bound into a file which constitutes the Sales Day Book as well as the Order Book, thus effecting a great economy.

The *combinations* permitted in *journalising*, as shown in par. 69, are not adopted in practical work, each transaction being entered separately.

When the details of a sale have been entered in the Sales Book and checked, the **invoice** should be made out therefrom and forwarded to the purchaser. It is customary in some offices to write invoices in copying ink and retain a copy in the press-copy **Invoice Book,** the number of the page being entered in the S.B. Other firms type their invoices, taking and filing carbon copies, as part of the **Slip System.**

**101. POSTING** As all the persons named in the Sales Book are your **debtors,** you must therefore post the amounts to the **Debit side** of their respective personal a/cs. in the Ledger, and enter the *Date, To Goods, Fol., Amount.*

Seeing that the Sales Book contains particulars of Goods going **Out** or sold, you will post the **total** thereof to the **Credit side** of the **Goods** or **Sales A/c.** by entering the *Date, By Sundries, S.B., Fol., Amount.*

**SALES BOOK** for Exercise 26.

| Date. | | Particulars. | Led. Fol. Dr. | Details. £ | s. | d. | Totals. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 1907 | | | | | | | | | |
| Aug. | 3 | **Ezra Jones.** | | | | | | | |
| | | 80 yards Zanella @ 1/6 | | 6 | - | - | | | |
| | | 36 ,, Cotton @ 1/6 | | 2 | 14 | - | 8 | 14 | - |
| | 6 | **Edwin Fox.** | | | | | | | |
| | | 48 yards Zanella @ 2/– | | | | | 4 | 16 | - |
| ,, | 12 | **Ezra Jones.** | | | | | | | |
| | | 100 yards Tapestry @ 4/– | | | | | 20 | - | - |
| ,, | 13 | **Edwin Fox.** | | | | | | | |
| | | 20 yards Tapestry @ 3/6 | | 3 | 10 | - | | | |
| | | 20 ,, Zanella @ 2/– | | 2 | - | - | 5 | 10 | - |
| ,, | 20 | **Edwin Fox.** | | | | | | | |
| | | 20 yards Tapestry @ 3/6 | | | | | 3 | 10 | - |
| ,, | 29 | **Ezra Jones.** | | | | | | | |
| | | 80 yards Cotton @ 1/6 | | 6 | - | - | | | |
| | | 20 ,, Worsted @ 7/6 | | 7 | 10 | - | 13 | 10 | - |
| | | **Goods or Sales A/c.....Cr.** | | | | | £56 | - | - |

## PURCHASES BOOK and SALES BOOK.

**102.** The following remarks and suggestions are equally applicable to both these books, in which entries should be made relating only to the goods in which the trader *deals.* The *occasional* purchase or sale of any other asset, such as plant and machinery, fixtures, furniture, &c., should be passed through the Journal. (*See par.* **103.**) **Cash purchases** or **sales** should always be passed through these books where the name of the buyer or seller is given, in addition to the receipt or payment of the cash being recorded in the Cash Book.

**1.** The pages are folioed and vertically divided into **five** sections, the **first** being for the Date, the

**second** for the Name of the Person and the Particulars of the transaction, the **third** section being for the Ledger Folio on posting, the **fourth** section being the inner money column for the **Details,** and the **fifth** section being the outer money column for **Totals.**

**2.** When a purchase or sale consists of **one item** only, the **amount** should be placed in the **outer** or extended **column.** When more than **one item,** the **separate sums** must be entered in the **first** or **detail** column, and the **total** only carried into the extended column, on the same line as the last item. **Trade discount** should always be deducted, the net amount only appearing in the outer column.

**3.** Each different **date** must be written in the date column, being followed by the name of the person, and beneath that the particulars of the goods.

**4.** The **name** of the **person** must be **boldly** written, commencing close to the left-hand margin line, while the particulars of the goods should commence a little to the right of that line. This produces a good style of work. Carefully study the examples given on pages 88, 90, 92, 93.

**5.** A **thin red line** should be ruled between each transaction, across the page from the left-hand margin line, through the inner money column, but no further. Such lines keep each transaction distinct, besides giving a finish to your work.

**103. DEPARTMENTAL COLUMNS.** Merchants who deal largely in a variety of goods require to know the result of their transactions in each article. It is therefore necessary for them to keep a number of *specific* Goods A/cs. Both the Purchases Book and the Sales Book can, with great advantage, be adapted to the classification of goods, either by dissecting and summarising the various items at given periods, or by the more preferable **Tabular** or **Columnar method** of ruling additional money columns and classifying the

items daily. (See pages 92 and 93.) A **Purchases** Book may be ruled with columns to accommodate *all* the purchases of the business, including materials used in manufacturing, such as Oil, Soap, Fuel, Dyewares, Sundries, also Plant & Machinery, &c.

The two methods in a Sales Book would appear as on this and the next page :—

**SALES BOOK summarised.**

| Date. | Particulars | Led. Fol. Dr. | Details. £ | s. | d | Totals. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| 1907 | | | | | | | | |
| Sept. 1 | **Fred Long.** | | | | | | | |
| | 5 Tons Manvers @ 12/– | | | | | 3 | - | - |
| „ 5 | **George Kaye.** | | | | | | | |
| | 10,000 Bricks @ 20/– | | 10 | - | - | | | |
| | 3 Tons Lime @ 21/– | | 3 | 3 | - | 13 | 3 | - |
| „ 9 | **Clay & Co.** | | | | | | | |
| | 5,000 Bricks @ 21/– | | 5 | 5 | - | | | |
| | 2 Tons Nuts @ 9/– | | - | 18 | - | 6 | 3 | - |
| „ 15 | **Sykes Bros.** | | | | | | | |
| | 50,000 Bricks @ 20/– | | 50 | - | - | | | |
| | 10 Tons Lime @ 21/– | | 10 | 10 | - | 60 | 10 | - |
| „ 18 | **Fred Long.** | | | | | | | |
| | 4 Tons Engine @ 8/– | | 1 | 12 | - | | | |
| | 2 „ Manvers @ 12/– | | 1 | 4 | - | 2 | 16 | - |
| „ 23 | **Shaw & Sons.** | | | | | | | |
| | 8 Tons Lime @ 21/– | | | | | 8 | 8 | - |
| „ 30 | **Taylor & Fry.** | | | | | | | |
| | 20,000 Bricks @ 20/– | | 20 | - | - | | | |
| | 20 Tons Engine @ 8/– | | 8 | - | - | | | |
| | 5 „ Lime @ 21/– | | 5 | 5 | - | 33 | 5 | - |
| | Total ..... | | | | | £127 | 5 | - |

**Summary :** **Bricks A/c. .....Cr.** £85 5 –
**Coal A/c.....Cr.** 14 14 –
**Lime A/c... .....Cr.** 27 6 –

£127 5 –

## TABULAR or Classified SALES BOOK.

| Date. | | Particulars. | Led. Fol. Dr. | Total Debit. £ | s. | d. | Bricks. £ | s. | d. | Coal. £ | s. | d. | Lime. £ | s | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1907 | | | | | | | | | | | | | | | |
| Sept. | 1 | **Fred Long.** | | | | | | | | | | | | | |
| | | 5 tons Manvers @ 12/- | | 3 | - | - | | | | 3 | - | - | | | |
| ,, | 5 | **George Kaye.** | | | | | | | | | | | | | |
| | | 10,000 Bricks @ 20/- | | 10 | - | - | 10 | - | - | | | | | | |
| | | 3 tons Lime @ 21/- | | 3 | 3 | - | | | | | | | 3 | 3 | - |
| ,, | 9 | **Clay & Co.** | | | | | | | | | | | | | |
| | | 5,000 Bricks @ 21/- | | 5 | 5 | - | 5 | 5 | - | | | | | | |
| | | 2 tons Nuts @ 9/- | | - | 18 | - | | | | - | 18 | - | | | |
| ,, | 15 | **Sykes Bros.** | | | | | | | | | | | | | |
| | | 50,000 Bricks @ 20/- | | 50 | - | - | 50 | - | - | | | | | | |
| | | 10 tons Lime @ 21/- | | 10 | 10 | - | | | | | | | 10 | 10 | - |
| ,, | 18 | **Fred Long.** | | | | | | | | | | | | | |
| | | 4 tons Engine @ 8/- | | 1 | 12 | - | | | | | | | | | |
| | | 2 ,, Manvers @ 12/- | | 1 | 4 | - | | | | 2 | 16 | - | | | |
| ,, | 23 | **Shaw & Son.** | | | | | | | | | | | | | |
| | | 8 tons Lime @ 21/- | | 8 | 8 | - | | | | | | | 8 | 8 | - |
| ,, | 30 | **Taylor & Fry.** | | | | | | | | | | | | | |
| | | 20,000 Bricks @ 20/- | | 20 | - | - | 20 | - | - | | | | | | |
| | | 20 tons Engine @ 8/- | | 8 | - | - | | | | 8 | - | - | | | |
| | | 5 ,, Lime @ 21/- | | 5 | 5 | - | | | | | | | 5 | 5 | - |
| | | | £ | 127 | 5 | - | 85 | 5 | - | 14 | 14 | - | 27 | 6 | - |
| | | | | | | | L. F. 20 | | | L.F. 30 | | | L.F. 40 | | |

**POSTING.** The above form of a Purchases or Sales Book requires posting in precisely the same manner as directed in pars. 98 and 101. The **totals** of the above columns would be posted **monthly** to the **credit** side of the three separate accounts—Bricks, Coal, Lime, and the Ledger **folio** placed immediately underneath the totals, as shown above. Of course, **separate A/cs.** must be opened in the Ledger for each article dealt in, so that the profit or the loss may be found thereon ; and after the insertion of the Stock on the Cr. side, the difference, *in each account*, being either a gross profit or a gross loss, must be transferred to the Trading or Profit & Loss A/c.

## JOURNAL PROPER.

**104. In practical work** the Journal is only used for recording such transactions as do not come within the scope of the other books, such as Interest, Bad Debts, Depreciation, Reserves, Dishonoured Bills, Adjustments, the purchase or sale of plant, furniture, &c.; and for recording opening and closing entries; although some business houses also prefer to journalise the totals of the subsidiary books.

The **total** of a Purchases Book would be journalised thus :—*Goods* or *Purchases A/c...Dr.* £570 5 –

*To Sundries* (*Creditors*) .....£570 5 –

and the **total** of a Sales Book thus :—

*Sundries* (*Debtors*) ....*Dr.* £472 10 –

*To Goods* or *Sales A/c.* .....£472 10 –

Of course, "Sundries" does not need posting, as each separate item has been previously posted to its personal a/c. from the Bought or Sales Book.

**105. OPENING** or **STARTING ENTRIES** consist of those items which form the B/S. or Statement of Affairs at the commencement of a business or a given period thereof. In Ex. 24 it will be seen that the opening entries consist of twelve items, totalling to £2418 15 –, as shown in the example on the next page. Should the opening entries consist of Cash or Bank merely, then they would only require entering as **Capital** in the Cash Book, and *not* in the Journal at all.

**106. CLOSING ENTRIES** are those which are made on balancing the books and consist of :—

(**a**) The *differences* of the subsidiary Goods and P. & L. A/cs. which are *transferred* to the Trading A/c. or general P. & L. A/c.

(**b**) The *differences* of gains or losses of the various Property and Trading A/cs. which are *transferred* to the P. & L. A/c.

(**c**) The *net difference* of the P. & L. A/c. which is *transferred* to the Current or Capital A/cs.

(**d**) The *net difference* of a Current or Drawings A/c. which is *transferred* to the Capital A/c. affected.

Example of Opening, Intermediate and Closing Entries.

**JOURNAL for Exercise 24.** Page 68. (Practical).

| 1907 | | Led. Fol. | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| June 1 | Bank .....Dr. | | 1237 | 10 | – | | | |
| | Cash ..... ,, | | 53 | 10 | – | | | |
| | Goods ..... ,, | | 755 | – | – | | | |
| | Alfred Wells ..... ,, | | 123 | 15 | – | | | |
| | Stocks & Co. ..... ,, | | 79 | – | – | | | |
| | Charles Bond ..... ,, | | 70 | – | – | | | |
| | Henry Bell ..... ,, | | 100 | – | – | | | |
| | To William Smith..... | | | | | 135 | – | – |
| | ,, Walter Rudd ..... | | | | | 165 | – | – |
| | ,, Martin Kidd..... | | | | | 209 | – | – |
| | ,, John Ball ..... | | | | | 59 | 15 | – |
| | ,, Capital A/c. (A. Pupil) | | | | | 1850 | – | – |
| | **(Total of Opening Entries).** | | £2418 | 15 | – | £2418 | 15 | – |
| ,, 4 | Bad Debts A/c. .....Dr. | | 35 | – | – | | | |
| | To Charles Bond ..... | | | | | 35 | – | – |
| ,, 27 | Bad Debts A/c. .....Dr. | | 60 | – | – | | | |
| | To Stocks & Co. ..... | | | | | 60 | – | – |
| ,, 30 | Carriage .....Dr. | | 23 | 4 | 5 | | | |
| | To Midland Ry. Co. .... | | | | | 23 | 4 | 5 |
| ,, ,, | Interest A/c.....Dr. | | 7 | 14 | – | | | |
| | To Capital A/c. ..... | | | | | 7 | 14 | – |
| | Total of Journal .... | | £2544 | 13 | 5 | £2544 | 13 | 5 |
| | **Closing Entries as follows:—** | | | | | | | |
| ,, ,, | P. & L. A/c. .....Dr. | | 4 | 9 | – | | | |
| | To Interest A/c. ..... | | | | | 4 | 9 | – |
| ,, ,, | P. & L. A/c. .....Dr. | | 86 | 8 | 10 | | | |
| | To Trade Expenses A/c. | | | | | 86 | 8 | 10 |
| ,, ,, | P. & L. A/c. ... .....Dr. | | 95 | – | – | | | |
| | To Bad Debts A/c. ..... | | | | | 95 | – | – |
| ,, ,, | Goods A/c. ..... | | 352 | 15 | – | | | |
| | To P. & L. A/c. ..... | | | | | 352 | 15 | – |
| ,, ,, | P. & L. A/c. .....Dr. | | 41 | 14 | 5 | | | |
| | To Carriage A/c ..... | | | | | 41 | 14 | 5 |
| ,, ,, | Discount A/c. .....Dr. | | 1 | 3 | – | | | |
| | To P. & L. A/c. ..... | | | | | 1 | 3 | – |
| ,, ,, | P. & L. A/c. .....Dr. | | 126 | 5 | 9 | | | |
| | To Capital A/c. ..... | | | | | 126 | 5 | 9 |
| | | | £3252 | 9 | 5 | £3252 | 9 | 5 |

### Practical Exercise 26.

From the following transactions compile a Purchases, Sales, and Cash Book, after having studied paragraphs 86, 87, 97, 100, 102.

| 1907. | | £ s. d. | £ | s. | d. |
|---|---|---|---|---|---|
| Aug. 1. | Cash in hand | | 1000 | – | – |
| „ 2. | Purchased from James Cecil :— | | | | |
| | 720 yds. Cotton @ 1/1 | 39 – – | | | |
| | 672 „ Zanella @ 1/2 | 39 4 – | 78 | 4 | – |
| „ 3. | Sold to Ezra Jones :— | | | | |
| | 80 yds. Zanella @ 1/6 | 6 – – | | | |
| | 36 „ Cotton @ 1/6 | 2 14 – | 8 | 14 | – |
| „ 4. | Received from Alf. Scott, 336 yds. Satin @ 4/9 | | 79 | 16 | – |
| „ 6. | Sent to Edwin Fox, 48 yds. Zanella @ 2/- | | 4 | 16 | – |
| „ 8. | Paid Cash for Goods | | 46 | 15 | – |
| „ 9. | Bought of Jas. Cecil, 1000yds. Tapestry @ 3/- | | 150 | – | – |
| „ 10. | Received Cash for Goods sold | | 31 | 1 | – |
| „ 11 | Paid Wages in Cash | | 11 | 1 | – |
| „ 12. | Sent to Ezra Jones, 100 yds. Tapestry @ 4/- | | 20 | – | – |
| „ 13. | Paid James Cecil | | 78 | 4 | – |
| „ 13. | Received from Ezra Jones | | 8 | 14 | – |
| „ 13. | Sold to Edwin Fox :— | | | | |
| | 20 yds. Tapestry @ 3/6 | £3 10 – | | | |
| | 20 „ Zanella @ 2/- | 2 – – | 5 | 10 | – |
| „ 14. | Received from Edwin Fox | | 4 | 16 | – |
| „ 15. | Bought for Cash, Goods | | 57 | 5 | – |
| „ 16. | Paid Alfred Scott | | 79 | 16 | – |
| „ 17. | Paid James Cecil | | 150 | – | – |
| „ 17. | Goods Sold for Cash | | 43 | 1 | – |
| „ 17. | Bought of James Cecil :— | | | | |
| | 1290 yds. Shirting @ 2/6 | £161 5 – | | | |
| | 138 „ Cretonne @ 10/6 | 72 9 – | 233 | 14 | – |
| „ 18. | Ezra Jones paid me | | 20 | – | – |
| „ 19. | Purchased from Alf. Scott, 384 yds. Diaper @ 1/5 | | 27 | 4 | – |
| „ 20. | Sold Edwin Fox, 20 yds. Tapestry @ 3/6 | | 3 | 10 | – |
| „ 21. | Paid Cash for Goods | | 65 | 15 | – |
| „ 22. | Cash Sales | | 45 | 11 | 6 |
| „ 23. | Paid Alfred Scott | | 27 | 4 | – |
| „ 25. | Paid Wages | | 9 | 1 | – |
| „ 26. | Handed James Cecil Cash | | 233 | 14 | – |
| „ 27. | Bought of Alfred Scott :— | | | | |
| | 168 yds. Worsted @ 7/- | £58 16 – | | | |
| | 84 „ Satin @ 10/- | 42 – – | 100 | 16 | – |
| „ 28. | Bought Goods for Cash | | 67 | 1 | 6 |
| „ 29. | Sold to Ezra Jones :— | | | | |
| | 80 yds. Cotton @ 1/6 | £6 – – | | | |
| | 20 „ Worsted @ 7/6 | 7 10 – | 13 | 10 | – |
| „ 29. | Received Cash from Edwin Fox | | 9 | – | – |
| „ 30. | Sold Goods for Cash | | 53 | 13 | 6 |
| „ 30. | Paid Rent | | 50 | – | – |
| | Paid Trade Expenses (Sundries) | | 7 | 13 | – |

*Stock of Goods*, £781 10 –.

**107.** After posting Exercise 26 in accordance with pars. 88, 98, 101, prepare a **Trial Balance,** in which do not forget to include the **totals** of **Cash Book,** minus the balance. When the Cash A/c. was in the ordinary Ledger you always included the totals in the T.B., and although this a/c. is now in a separate book the totals must still be included in the T.B., in which *all accounts*, wherever they may be kept, should appear. In preparing the B/S. don't forget to include the Cash in hand. The following shows both forms of a Trial Balance :—

(1) *Total postings* to the ledger ; not used in business.
(2) *Differences* of the postings ; business method.

**Trial Balance for Exercise 26.**

| Ledger A/cs. | (1) Totals. | | | | | | (2) Balances. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dr. | | | Cr. | | | Dr. | | | Cr. | | |
| | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Cash ..... | 1215 | 17 | - | 883 | 9 | 6 | 332 | 7 | 6 | | | |
| Capital ..... | | | | 1000 | - | - | | | | 1000 | - | - |
| Goods ..... | 906 | 10 | 6 | 229 | 7 | - | 677 | 3 | 6 | | | |
| Trade Expenses. | 77 | 15 | - | | | | 77 | 15 | - | | | |
| James Cecil ... | 461 | 18 | - | 461 | 18 | - | | | | | | |
| Alfred Scott.... | 107 | - | - | 207 | 16 | - | | | | 100 | 16 | - |
| Ezra Jones .... | 42 | 4 | - | 28 | 14 | - | 13 | 10 | - | | | |
| Edwin Fox .... | 13 | 16 | - | 13 | 16 | - | | | | | | |
| Totals agree.. | £2825 | - | 6 | £2825 | - | 6 | £1100 | 16 | - | £1100 | 16 | - |

**Dr. Profit & Loss A/c. for August, 1907. Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Aug. 31 | To Trade Exs. A/c. | 77 | 15 | - | Aug. 31 | By Gross Profit from Goods A/c. | 104 | 6 | 6 |
| ,, 31 | ,, NET PROFIT ... | 26 | 11 | 6 | | | | | |
| | £ | 104 | 6 | 6 | | £ | 104 | 6 | 6 |

Ex. 26. **Balance Sheet** on 31st August, 1907.

| Liabilities. | £ | s. | d. | Assets. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Alfred Scott ..... | 100 | 16 | - | Cash in hand ..... | 332 | 7 | 6 |
| | | | | Stock of Goods..... | 781 | 10 | - |
| *CAPITAL* ..... | 1026 | 11 | 6 | Ezra Jones..... | 13 | 10 | - |
| £ | 1127 | 7 | 6 | £ | 1127 | 7 | 6 |

**108. RETURNS** and **ALLOWANCES** have to be dealt with in almost every trade for a variety of reasons. **Errors** and **Omissions** occasionally arise in all business houses, and when these occur in connection with the packing of goods or making out of invoices, they must be remedied by one of two methods. The commonest mistakes consist of sending short quantities and overcharging either in price, calculation, or casting. Where the mistake is discovered within a day or two of the dispatch of the invoice, a letter of apology should be written, enclosing a **corrected invoice,** the original one being cancelled. Where, however, the mistake is not discovered until the records have passed through the books, it will be necessary to remedy the error by proper entries, and to send a **Credit Note** to the customer.

On the **examination** of **goods** by a customer he sometimes finds the whole or a portion of them to be **unsatisfactory,** the principal causes being : damages in manufacture ; inferior to sample in quality, weight, colour, or composition ; damage in transit through imperfect packing ; too late for the market, etc.

Occasionally a trader being **out of stock** of the exact class of goods ordered, will venture to send those of the nearest quality in the hope that they may suit the purposes of his customer, who, of course, is entitled to return them.

**109.** Many businesses use crates, tins, boxes, barrels, packing cases, sacks, in which to dispatch goods. When these **empties** are charged for they are usually returnable by the customer.

On account of the cost of **carriage** incurred in returning defective or other goods, the seller often proposes that the buyer shall keep them at a **reduced price,** and if agreed, the seller forwards the buyer a **Credit Note** giving particulars of the **allowance** made.

**110.** Goods **sold** to a customer are entered in the Sales Book and the amount posted to the **debit** of his a/c., therefore when he **returns** any goods, or an

**allowance** is made in respect thereof, it is necessary that the customer should be **credited.**

When goods are sold an **Invoice,** setting forth full particulars as to the quantity, quality, and price of the goods, is sent to the purchaser. An Invoice is practically a **debiting** document, and the words **Debtor to** might well be substituted for the customary words **Bought of,** printed at the head of every invoice. It follows that when goods, so invoiced, are **returned,** or an **allowance** is made in respect of them, a document having the **opposite effect** of an Invoice should be made out. That document is known as a **Credit Note** and is a statement, usually made out in red ink, sent **by** the **seller** to his **customer,** the **debtor,** showing the particulars of an amount in respect of which he is being **credited.** A Credit Note is like an Invoice in form, the chief difference being that the words **Credited by** instead of **Bought of** appear at the head. The following Invoice, Credit Note, and Ledger A/c. will serve to illustrate these common transactions :—

(INVOICE).

Heeley,

SHEFFIELD, 1st July, 1913.

Mr. Henry Wilson, Leeds.

Bought of THE UNION BRASSFOUNDRY CO., LTD.

| | £ s. d. | £ s. d. |
|---|---|---|
| Brass Telescopic Floor Lamp, No. 63.. | 2 8 - | |
| Do. do. ,, 64.. | 3 15 | |
| Do. do. ,, 65.. | 5 - - | |
| Brass Curb Suite, No. 522..... | 7 10 - | |
| Do. do. ,, 523..... | 12 - - | |
| Brass Umbrella Stand, No. 750 ..... | 1 - - | |
| Do. do. ,, 751 ..... | 1 5 - | |
| Folding Fire Screen, No. 602 ..... | 8 10 - | |
| | £41 8 - | |
| Trade discount 50% ... | 20 14 - | |
| | | £20 14 - |

(CREDIT NOTE.)

Heeley,
SHEFFIELD, 12th July, 1913.

Mr. Henry Wilson, Leeds.

Credited by THE UNION BRASSFOUNDRY CO., LTD.

| | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| Brass Telescopic Floor Lamp, No. 63, returned, not having been ordered.. | 2 | 8 | - | | | |
| Brass Curb Suite, No. 523, charged at £12 instead of £10 ..... | 2 | - | - | | | |
| | £4 | 8 | - | | | |
| Trade discount 50% .. | 2 | 4 | - | | | |
| | | | | £2 | 4 | - |

(SALES LEDGER.)

Dr. Henry Wilson, Briggate, Leeds. Cr.

| 1913 | | £ | s. | d. | 1913 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 1 | To Goods .... | 20 | 14 | - | July 12 | By Returns, &c. | 2 | 4 | - |

**111.** Goods **sold** but **returned to you** by your customer, or in respect of which any allowance is agreed upon, are called **Sales Returns** or **Returns Inwards,** because value comes in.

Goods **bought** but **returned by you** to the seller, or in respect of which any abatement is agreed upon, are called **Purchases Returns** or **Returns Outwards,** because value goes out.

When Returns and Allowances are few in number, it is the practice in business to enter **Returns Inwards,** at the **end** of the **Sales Book,** and **Returns Outwards,** at the **end** of the **Purchases Book.** When more numerous, separate books must be employed. The **ruling** of the Returns Books is precisely the same as that of the Purchases and Sales Books.

**112.** The **RETURNS INWARDS BOOK** contains particulars of Goods returned by the purchaser **to you,** also particulars of Overcharges or Allowances made by you to the purchaser. After the entry has been made and checked the **Credit Note** should be made out in *red ink* and forwarded to the customer.

**Posting.** As the transactions recorded in this Returns Book make the individuals named therein *creditors* for their respective amounts, therefore post the amounts to the **Cr. side** of their respective personal a/cs. in the Sales Ledger and enter the: *Date, By Returns, Fol., Amount.* The **total** representing Goods returning **inwards** must be posted to the **Dr. side** of the **Goods** or **Sales** or **Returns Inwards A/c.** by entering: *Date, To Returns, Fol , Amount.*

On **balancing,** the total of the Returns Inwards A/c. must either be debited to the Trading A/c. or deducted from the Sales.

### RETURNS INWARDS BOOK

of The Union Brassfoundry Co., Limited.

| Date. | Particulars. | Led. Fol. Cr. | Details. £ | s. | d. | Totals. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| 1913 July 12 | **Henry Wilson,** Leeds. | | | | | | | |
| | Brass Telescopic Floor Lamp, No. 63, returned, not having been ordered..... | | 2 | 8 | - | | | |
| | Brass Curb Suite, No. 523, charged at £12 instead of £10 | | 2 | - | - | | | |
| | | | 4 | 8 | - | | | |
| | Trade discount, 50% | | 2 | 4 | - | | | |
| | | | | | | 2 | 4 | - |
| ,, 24 | **John Smith.** | | | | | | | |
| | Folding Fire Screen, damaged | | 7 | - | - | | | |
| | Trade discount, 50% | | 3 | 10 | - | | | |
| | | | | | | 3 | 10 | - |
| | **Sales A/c. or Returns Inwards A/c...Dr.** | | | | | £5 | 14 | - |

(GENERAL LEDGER.)

**Dr.** Sales A/c. or Returns Inwards A/c. **Cr.**

| | | £ | s. | d. |
|---|---|---|---|---|
| 1913 July 31 | To Returns for July as per Returns I.B. | 5 | 14 | - |

**113.** The **RETURNS OUTWARDS BOOK** contains particulars of Goods returned **by you** to the seller or vendor; also particulars of allowances made by the vendor to you.

**Posting.** As the transactions recorded therein make the individuals named **debtors** to you for their respective amounts, you will therefore post the amounts to the **Dr. side** of their respective personal a/cs. in the Purchases Ledger and enter the: *Date, To Returns, Fol., Amount.*

Seeing that this Returns Book contains particulars of Goods which are being returned **Outwards,** you will therefore post the **total** thereof to the **Cr. side** of the **Goods** or **Purchases** or **Returns Outwards A/c.** by entering the: *Date, By Returns, Fol., Amount.*

On **balancing,** the total of the Returns Outwards A/c. must either be credited to the Trading A/c. or deducted from the Purchases.

**RETURNS OUTWARDS BOOK**

of Crowther & Jones, Woollen Manufacturers.

| Date. | Particulars. | Led. Fol. Dr. | Details. £ | s. | d. | Totals. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| 1913 | | | | | | | | |
| May 4 | **Sykes & Co.** | | | | | | | |
| | (2834) Black Serge, invoiced 29th April, 3 yards short @ 2/6 | | | 7 | 6 | | | |
| | (3946) Blue Vicuna, invoiced 29th April. Defective finish. 56 yards @ 4/2 ..... | | 11 | 13 | 4 | | | |
| ,, 16 | **Beaumont Bros.** | | | | | 12 | - | 10 |
| | (3701) Fancy Tweed, invoiced 12th May, wrong pattern, 58 yards @ 2/8 ..... | | | | | 7 | 14 | 8 |
| ,, 27 | **John Haigh.** | | | | | | | |
| | (5110) Black Worsted, invoiced 22nd May, overcharge of 2d. per yard on 48 yards ..... | | | | | | 8 | - |
| | **Purchases A/c. or Returns Outwards A/c.. Cr.** | | | | | £20 | 3 | 6 |

(GENERAL LEDGER.)

| Dr. | Purchases A/c. or Returns Outwards A/c. | | | | Cr. |
|---|---|---|---|---|---|
| | 1913 | | £ | s. | d. |
| | May 31 | By Returns for May as per Returns O.B. ..... | 20 | 3 | 6 |

**114. Small Allowances** are frequently left to be dealt with on settlement of account, in which case the amount allowed is generally entered in the **Discount column** of the **Cash Book,** instead of being passed through the Returns Books.

**115. Undercharges** may arise in entering the prices of goods on an Invoice, as well as in undercasting. Such mistakes, if discovered too late to be remedied by a **Corrected Invoice,** may be rectified by a **Debit Note,** which is a statement, in the form of an Invoice, sent to a customer, the **debtor,** showing particulars of an amount in respect of which you are debiting him. A Debit Note is really an **additional** or **supplementary invoice,** therefore full particulars of the difference debited must be recorded in the **Sales Book,** and posted to the **debit** of the debtor in the Sales Ledger, in the usual manner.

(DEBIT NOTE.)

625 Cheapside,
LONDON, E.C., 20th June, 1913.

*Messrs. Owen & Dew, Wakefield.*

**Dr.** to **Charles Mee & Co., Limited.**

| | | | |
|---|---|---|---|
| To Undercasting of Invoice, dated 13th June ..... | £ | 10 | - | - |

(SALES LEDGER.)

| Dr. | Owen & Dew, Wakefield. | | | | Cr. |
|---|---|---|---|---|---|
| 1913 | | £ | s. | d. | |
| June 13 | To Goods..... | 115 | 16 | 9 | |
| ,, 20 | ,, Debit Note .. | 10 | - | - | |

**116. TRADING A/C.** is merely another name for a **Goods A/c.,** except that the latter has been used for the purpose of posting the various transactions direct, while a Trading A/c., like a Profit & Loss A/c., is only prepared when balancing the books. Reference to page 18 will show that one of the **objects** of a Goods A/c. is to display the **Gross Profit** realised, and this is the object of a Trading A/c. In all but the smallest businesses it is usual to **subdivide** the transactions relating to **Goods** and to keep **separate a/cs.** for the Opening Stock, Purchases, Returns Outwards, Sales, and Returns Inwards, transferring the **totals** of these **five a/cs.** on balancing, together with the Closing Stock, to the **Trading A/c.,** in order to ascertain the Gross Profit. This **practical method** is required to be adopted in working some **modern Examination Papers,** and is illustrated by the following a/cs. :—

**Dr.** **Stock Account.** **Cr.**

| 1913 | | £ | 1913 | | £ |
|---|---|---|---|---|---|
| June 1 | To Balance b/f. .. | 800 | June 30 | *By Transfer to Trading A/c.* | 800 |

**Dr.** **Purchases Account.** **Cr.**

| 1913 | | £ | 1913 | | £ |
|---|---|---|---|---|---|
| June 30 | To Sundries as per Purchases Book | 250 | June 30 | *By Transfer to Trading A/c.* | 250 |

**Dr.** **Sales Account.** **Cr.**

| 1913 | | £ | 1913 | | £ |
|---|---|---|---|---|---|
| June 30 | *To Transfer to Trading A/c.* | 460 | June 30 | By Sundries as per Sales Book | 460 |

**Dr.** **Returns Inwards Account.** **Cr.**

| 1913 | | £ | 1913 | | £ |
|---|---|---|---|---|---|
| June 30 | To Sundries as per Returns I.B. | 42 | June 30 | *By Transfer to Trading A/c.* | 42 |

**Dr.** **Returns Outwards Account.** **Cr.**

| 1913 | | £ | 1913 | | £ |
|---|---|---|---|---|---|
| June 30 | *To Transfer to Trading A/c.* | 23 | June 30 | By Sundries as per Returns O.B. | 23 |

**Dr.** **Trading Account for June, 1913.** **Cr.**

| 1913 | | £ | 1913 | | £ |
|---|---|---|---|---|---|
| June 1 | To Stock b/f. .... | 800 | June 30 | By Sales.... £460 | |
| ,, 30 | ,, Purchases £250 | | | *Less* Returns 42 | |
| | *Less* Returns 23 | | | | 418 |
| | | 227 | ,, 30 | ,, Stock c/f. .... | 703 |
| ,, 30 | ,, **Gross Profit** carried to P. & L. A/c. | 94 | | | |
| | | £1121 | | | £1121 |

**117.** The **Proprietary** or **Nominal Accounts** are often a source of trouble to the beginner, who will find it helpful to remember that such accounts are really **one** account, **subdivided** for the convenience of the Proprietor, in order to enable him to ascertain certain financial results of the business. All the Proprietary Accounts are, in theory, the **Capital** or **Personal A/c.** of the **Proprietor,** to which the final results of all those subdivisions are transferred on balancing the books. If all the items composing the various Nominal A/cs. were posted **direct** to the **Capital A/c.** the **result** would be precisely the **same** as that arrived at by the ordinary methods, as shown by the following example :—

**Dr.** **Capital or Proprietor's Account.** **Cr.**

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To Carriage ..... | 13 | - | - | By Balance b/f..... | 4009 | 1 | 3 |
| ,, Wages ..... | 20 | - | - | ,, Profit on Port.. | 342 | 3 | 9 |
| ,, Corn & Fodder.. | 7 | 10 | 6 | ,, Profit on Sherry | 251 | 14 | 4 |
| ,, Rate ..... | 27 | - | - | ,, Interest ..... | 10 | 5 | - |
| ,, Insurance ..... | 4 | 5 | - | ,, Discount ..... | 39 | 2 | 5 |
| ,, Gas ..... | 4 | 5 | - | | | | |
| ,, Painting ..... | 23 | - | - | | | | |
| ,, Bad Debts ..... | 183 | 2 | 3 | | | | |
| ,, Depreciation .... | 95 | 7 | - | | | | |
| ,, Drawings ..... | 150 | - | - | | | | |
| ,, BALANCE c/d.. | 4124 | 17 | - | | | | |
| £ | 4652 | 6 | 9 | £ | 4652 | 6 | 9 |
| | | | | By Balance b/d.... | 4124 | 17 | - |

**118.** In **business,** as well as in working the **practical method** of **modern Examination Papers,** the items in the above theoretical account would first appear in their separate accounts as shown below, followed by their transference to the Profit & Loss A/c. for ascertaining the Net Profit, which would be carried to the Cap. A/c.

**Dr.** **Carriage Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep.30 | To Bank ..... | 13 | - | - | Sep.30 | *By Transfer to P. & L. A/c.* | 13 | - | - |

**Dr.** **Wages Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep. 4 | To Cash ..... | 5 | - | - | Sep.30 | *By Transfer to Profit & Loss A/c.* | 20 | - | - |
| ,, 11 | ,, Cash ..... | 5 | - | - | | | | | |
| ,, 18 | ,, Cash ..... | 5 | - | - | | | | | |
| ,, 25 | ,, Cash ..... | 5 | - | - | | | | | |
| | £ | 20 | - | - | | | 20 | - | - |

**Dr.** **Stable Expenses Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep.25 | To Cash (Corn & Fodder) | 7 | 10 | 6 | Sep.30 | *By Transfer to P. & L. A/c.* | 7 | 10 | 6 |

**Dr.** **Rates & Taxes Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep.29 | To Cash ..... | 27 | - | - | Sep.30 | *By Transfer to P. & L. A/c.* | 27 | - | - |

**Dr.** **Insurance Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep.24 | To Cash ..... | 4 | 5 | - | Sep.30 | *By Transfer to P. & L. A/c.* | 4 | 5 | - |

**Dr.** **General Expenses Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep.18 | To Cash (Painting).. | 23 | - | - | Sep.30 | *By Transfer to Profit & Loss A/c.* | 27 | 5 | - |
| ,, 18 | ,, Cash (Gas). | 4 | 5 | - | | | | | |
| | £ | 27 | 5 | - | | £ | 27 | 5 | - |

**Dr.** **Bad Debts Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep.28 | To Ernest Hooley .. | 183 | 2 | 3 | Sep.30 | *By Transfer to P. & L. A/c.* | 183 | 2 | 3 |

**Dr.** **Interest Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep.30 | *To Transfer to P. & L. A/c.* | 10 | 5 | - | Sep.30 | By Bank ..... | 10 | 5 | - |

**Dr.** **Discount Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep.30 | To Sundry Debtors as per Cash Book .. | 25 | 13 | 7 | Sep.30 | By Sundry Creditors as per Cash Book | 64 | 16 | - |
| ,, 30 | ,, *Transfer to P. & L. A/c.* | 39 | 2 | 5 | | | | | |
| | £ | 64 | 16 | - | | £ | 64 | 16 | - |

**Dr.** **Depreciation Account.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep. 30 | To Premises .. | 40 | - | - | Sep. 30 | *By Transfer to Profit & Loss A/c.* | 95 | 7 | - |
| ,, 30 | ,, Furniture .. | 17 | 2 | - | | | | | |
| ,, 30 | ,, Horses .... | 38 | 5 | - | | | | | |
| | £ | 95 | 7 | - | | £ | 95 | 7 | - |

**Dr.** **Profit & Loss Account** for the month of Sept., 1907. **Cr.**

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To Carriage ..... | 13 | - | - | By Gross Profit from Trading A/c. :— | | | |
| ,, Wages ..... | 20 | - | - | Port ..... | 342 | 3 | 9 |
| ,, Stable Expenses .. | 7 | 10 | 6 | Sherry ..... | 251 | 14 | 4 |
| ,, Rates and Taxes .. | 27 | - | - | ,, Interest ..... | 10 | 5 | - |
| ,, Insurance ..... | 4 | 5 | - | ,, Discount ..... | 39 | 2 | 5 |
| ,, General Expenses.. | 27 | 5 | - | | | | |
| ,, Bad Debts..... | 183 | 2 | 3 | | | | |
| ,, Depreciation..... | 95 | 7 | - | | | | |
| ,, NET PROFIT *transferred to Capital Account of Thomas Turner* .... | 265 | 15 | 9 | | | | |
| £ | 643 | 5 | 6 | £ | 643 | 5 | 6 |

**Dr.** **Proprietor's Drawings A/c.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep. 1 | To Cash ..... | 100 | - | - | Sep. 30 | *By Transfer to Capital A/c.* | 150 | - | - |
| ,, 21 | ,, Cash ..... | 50 | - | - | | | | | |
| | £ | 150 | - | - | | £ | 150 | - | - |

**Dr.** **Capital Account of Thomas Turner.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Sep. 30 | To Drawings .. | 150 | - | - | Sep. 1 | By Balance b/f. | 4009 | 1 | 3 |
| ,, 30 | ,, *Balance c/d*.. | 4124 | 17 | - | ,, 30 | ,, Net Profit for Sept. | 265 | 15 | 9 |
| | £ | 4274 | 17 | - | | £ | 4274 | 17 | - |
| | | | | | Oct. 1 | By Balance b/d. | 4124 | 17 | - |

## Practical Exercise 20. (Page 44.)

*Purchases Book* contains 4 entries. Total £34 16 –.
*Sales Book* contains 4 entries. Total £32 11 –.
*Cash Book* has 5 Dr. and 7 Cr. entries. Balance £401 19 2.
*Journal* contains the Opening Entries only, £568.
*Post* the Journal first. The Cash £283 13 8 in the Journal does *not* need posting as it is already in the Cash Book. The Capital £283 13 8 in the Cash Book does not need posting as it is included in the £543 in the Journal.

| Trial Balance. | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash A/c. | 442 5 4 | 40 6 2 | 401 19 2 | |
| Capital A/c. | | 543 – – | | 543 – – |
| Stock A/c. | 250 6 4 | | 250 6 4 | |
| Purchases A/c. | 55 18 – | | 55 18 – | |
| Sales A/c. | | 181 18 8 | | 181 18 8 |
| Trade Expenses A/c. | 18 4 2 | | 18 4 2 | |
| Field & Co. | | 8 16 – | | 8 16 – |
| Cassell & Co. | | 14 12 – | | 14 12 – |
| George Allen | | 11 8 – | | 11 8 – |
| Henry Gill | 7 18 – | 7 18 – | – – – | |
| Thomas Gee | 30 – – | | 30 – – | |
| Harry Frost | 25 – – | 25 – – | – – – | |
| Henry Hoole | 4 13 – | 1 6 – | 3 7 – | |
| £ | 834 4 10 | 834 4 10 | 759 14 8 | 759 14 8 |

## Practical Exercise 20a. (Page 46.)

*Journal* contains the Opening Entries only, £2855.
*Purchases Book* contains 2 entries. Total £603 5 –.
*Sales Book* contains 5 entries. Total £263 11 8.
*Cash Book* has 8 Dr. and 6 Cr. entries. Balance £444.

| Trial Balance. | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash A/c. | 1019 5 – | 575 5 – | 444 – – | |
| Capital A/c. | | 2155 – – | | 2155 – – |
| Stock A/c. | 2000 – – | | 2000 – – | |
| Purchases A/c. | 603 5 – | | 603 5 – | |
| Sales A/c | | 363 11 8 | | 363 11 8 |
| Wages A/c. | 21 5 – | | 21 5 – | |
| Trade Expenses A/c. | 4 – – | | 4 – – | |
| Soames & Co. | 400 – – | 769 8 – | | 369 8 |
| Broughton & Co. | 150 – – | 533 17 – | | 383 17 – |
| Samuel Fletcher | 200 10 – | 100 – – | 100 10 – | |
| James Ramshaw | 150 11 8 | 109 5 – | 41 6 8 | |
| Edward Booth | 35 – – | | 35 – – | |
| George Taylor | 132 10 – | 110 – – | 22 10 – | |
| £ | 4716 6 8 | 4716 6 8 | 3271 16 8 | 3271 16 8 |

## Practical Exercise 20b. (Page 47.)

*Journal* contains the Opening Entries only £468 19 7.
*Purchases Book* contains 4 entries. Total £88 2 3.
*Sales Book* contains 8 entries. Total £36 2 6.
*Cash Book* has 9 Dr. and 10 Cr. entries. Balance £191 5 7.

| Trial Balance. | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash A/c. | 363 6 11 | 172 1 4 | 191 5 7 | |
| Capital A/c. | | 800 - - | | 800 - - |
| Stock A/c. | 238 4 3 | | 238 4 3 | |
| Purchases A/c. | 104 6 6 | | 104 6 6 | |
| Sales A/c. | | 151 9 3 | | 151 9 3 |
| Trade Expenses A/c. | 15 17 6 | | 15 17 6 | |
| Henry Stephens | 88 19 2 | 74 1 2 | | 35 2 - |
| Hayden & Co. | 43 5 9 | 49 3 9 | | 5 18 - |
| Millington & Co. | 30 16 3 | 89 8 9 | | 58 12 6 |
| Charles Town | 26 18 5 | 44 8 2 | | 17 9 9 |
| Seth Whiteley | 17 12 3 | 12 19 1 | 4 13 2 | |
| Edwin Wilson | 20 4 8 | 14 2 8 | 6 2 - | |
| Norman Kaye | 20 - 10 | 11 18 4 | 8 2 6 | |
| Frederick Davey | 4 13 6 | 4 13 6 | - - - | |
| Walter Richardson | 7 17 10 | 7 17 10 | - - - | |
| £ | 932 3 10 | 932 3 10 | 568 11 6 | 568 11 6 |

## Practical Exercise 21. (Page 61.)

*Journal* contains Opening Entries only, £610 6 2.
*Purchases Book* contains 5 entries. Total £113 2 –.
*Sales Book* contains 5 entries. Total £92 17 –.
*Cash Book* 2 columns. See pars. 89 to 94 and key on page 84.

| Trial Balance. | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash | 590 19 10 | 436 9 4 | 154 10 6 | |
| Bank | 400 14 - | 141 15 - | 258 19 - | |
| Capital | | 575 10 2 | | 575 10 2 |
| Stock A/c. | 175 - - | | 175 - - | |
| Purchases A/c. | 116 9 - | | 116 9 - | |
| Sales A/c. | | 188 3 8 | | 188 3 8 |
| Trade Expenses | 22 15 4 | | 22 15 4 | |
| Field & Co. | 8 16 - | 25 16 - | | 17 - - |
| George Allen | 28 - - | 27 10 - | - 10 - | |
| Cassell & Co. | 84 12 - | 94 12 - | | 10 - - |
| Thomas Gee | 45 - - | 45 - - | - - - | |
| Henry Hoole | 5 14 - | 5 14 - | - - - | |
| George Grace | 29 - - | | 29 - - | |
| Edwin Hart | 61 10 - | 28 - - | 33 10 - | |
| £ | 1568 10 2 | 1568 10 2 | 790 13 10 | 790 13 10 |

## Practical Exercise 22. (Page 62.)

The only Opening Entry being Cash *no* Journal is required.

*Purchases Book* contains 6 entries. Total £748 17 6.

*Sales Book* contains 3 entries. Total £143 10 8.

*Cash Book* has 9 Dr. and 10 Cr. entries.

| Trial Balance. | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash A/c. | 2474 10 6 | 2407 10 - | 67 - 6 | |
| Bank A/c. | 2320 - - | 49 15 - | 2270 5 - | |
| Capital A/c. | | 2000 - - | | 2000 - - |
| Purchases A/c. | 761 7 6 | | 761 7 6 | |
| Sales A/c. | | 558 1 2 | | 558 1 2 |
| Trade Expenses A/c. | 44 15 - | | 44 15 - | |
| Prince & Co. | | 190 - - | | 190 - - |
| Coop & Co. | 40 - - | 277 17 6 | | 237 17 6 |
| James Land | | 215 - - | | 215 - - |
| Dodd & Co. | 54 - - | 10 - - | 44 - - | |
| George Webb | 89 10 8 | 76 - - | 13 10 8 | |
| £ | 5784 8 8 | 5784 8 8 | 3200 18 8 | 3200 18 8 |

## Practical Exercise 23. (Page 65.)

*Journal* for Opening Entries and last transaction in the Exercise.

*Purchases Book* contains one item only, £56 16 –.

*Sales Book* contains 4 items. Total £149 8 –.

*Cash Book* (3 columns). See pars. 95, 96 and key on page 86.

*Post* Journal first, except first 2 items, which are already in the Cash Book. The first Dr. line in the Cash Book, showing the balance brought forward, does not need posting.

| Trial Balance. | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash A/c. | 201 10 - | 162 8 6 | 39 6 6 | |
| Bank A/c. | 527 8 - | 197 10 - | 329 18 - | |
| Capital A/c. | | 702 15 - | | 702 15 - |
| Stock A/c. | 350 10 - | | 350 10 - | |
| Purchases A/c. | 124 6 - | | 124 6 - | |
| Sales A/c. | | 223 8 - | | 223 8 - |
| Interest A/c. | 2 15 - | | 2 15 - | |
| Discount A/c. | 1 1 - | 5 - - | | 3 19 - |
| Trade Expenses A/c. | 37 3 6 | | 37 3 6 | |
| Penn & Co. | 105 - - | 114 14 - | | 9 14 - |
| Thomas Aller | 81 2 - | 50 - - | 31 2 - | |
| Arthur Carr | 55 11 - | 30 16 - | 24 15 - | |
| Walter Fell | 48 5 - | 48 5 - | - - - | |
| £ | 1534 11 6 | 1534 11 6 | 939 16 - | 939 16 - |

### Practical Exercise 24. (Page 68.)

*Journal.* See key page 95. Total £2544 13 5. This total does not include Petty Cash, for which a separate book is kept (see page 68).

*Purchases Book* contains 2 entries. Total £570 5 –.

*Sales Book* contains 5 entries. Total £597 10 –.

*Cash Book* has 15 Dr. and 14 Cr. entries.

*Petty Cash Book* has one receipt and one payment.

| Trial Balance. | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash A/c. | 1071 - - | 645 11 - | 425 9 - | |
| Bank A/c. | 1898 15 - | 930 2 - | 968 13 - | |
| Petty Cash A/c. | 5 - - | 4 7 10 | - 12 2 | |
| Capital A/c. | | 1857 14 - | | 1857 14 - |
| Stock A/c. | 755 - - | | 755 - - | |
| Purchases A/c. | 890 5 - | | 890 5 - | |
| Sales A/c. | | 1008 - - | | 1008 - - |
| Carriage A/c. | 41 14 5 | | 41 14 5 | |
| Bad Debts A/c. | 95 - - | | 95 - - | |
| Interest A/c. | 7 14 - | 3 5 - | 4 9 - | |
| Discount A/c. | 3 15 - | 4 18 - | | 1 3 - |
| Trade Expenses A/c. | 86 8 10 | | 86 8 10 | |
| William Smith | 100 - - | 135 - - | | 35 - - |
| Walter Rudd | 165 - - | 165 - - | | - - - |
| Martin Kidd | 200 - - | 759 - - | | 559 - - |
| John Ball | 80 - - | 80 - - | | - - - |
| Midland Railway Co. | | 23 4 5 | | 23 4 5 |
| Alfred Wells | 291 15 - | 288 15 - | 3 - - | |
| Stocks & Co. | 340 - - | 340 - - | - - - | |
| Charles Bond | 70 - - | 70 - - | - - - | |
| Henry Bell | 178 10 - | 50 - - | 128 10 - | |
| Caleb Brett | 90 - - | | 90 - - | |
| £ | 6364 17 3 | 6364 17 3 | 3484 1 5 | 3484 1 5 |

**N.B.**—The theoretical Trial Balance of Exercise 24 totals to £6079 17 3, on account of the items below :—

| | | |
|---|---|---|
| Alfred Wells .. | £166 15 – | £163 15 – |
| Stocks & Co. .. | 180 – – | 180 – – |

### Practical Exercise 25. (Page 73.)

*Journal.* No Opening Entries ; but the items shown in par. 79 must appear, and 2 additional transactions. Total £1570 6 8.

*Purchases Book* contains 2 entries. Total £314 10 –.

*Sales Book* contains 7 entries. Total £402 10 9.

*Cash Book* has 16 Dr. and 18 Cr. entries.

*Petty Cash Book* has one receipt and one payment.

The £1500 paid for the business of J. Exley must be entered in the office column of the Cash Book, thus :—" *By John Exley,* £1500."

| Ex. 25. Trial Balance. | Totals. Dr. | | | Totals. Cr. | | | Balances. Dr. | | | Balances. Cr. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Cash A/c | 2436 | 14 | 8 | 2397 | 16 | 6 | 38 | 17 | 9 | | | |
| Bank A/c. | 794 | 11 | 1 | 246 | 7 | 6 | 548 | 3 | 7 | | | |
| Petty Cash A/c | 10 | - | - | 7 | 16 | 6 | 2 | 3 | 6 | | | |
| A. Pupil's Capital A/c. | | | | 1004 | 8 | 4 | | | | 1004 | 8 | 4 |
| A. Pupil's Drawings A/c | 20 | - | - | | | | 20 | - | - | | | |
| L. Pupil's Capital A/c. | | | | 1004 | 8 | 4 | | | | 1004 | 8 | 4 |
| L. Pupil's Drawings A/c | 20 | - | - | | | | 20 | - | - | | | |
| Stock A/c. | 950 | - | - | | | | 950 | - | - | | | |
| Purchases A/c. | 314 | 10 | - | | | | 314 | 10 | - | | | |
| Sales A/c. | | | | 507 | 5 | - | | | | 507 | 5 | - |
| Goodwill A/c | 200 | - | - | | | | 200 | - | - | | | |
| Carriage A/c | 20 | 5 | - | | | | 20 | 5 | - | | | |
| Bad Debts A/c | 62 | - | - | | | | 62 | - | - | | | |
| Wages A/c. | 16 | - | - | | | | 16 | - | - | | | |
| Interest A/c. | 8 | 6 | 8 | 2 | 1 | 1 | 6 | 5 | 7 | | | |
| Discount A/c | 12 | 9 | 9 | 8 | 10 | - | 3 | 19 | 9 | | | |
| Trade Expenses A/c. | 18 | 5 | 6 | | | | 18 | 5 | 6 | | | |
| Tree & Co. | 274 | 10 | - | 314 | 10 | - | | | | 40 | - | - |
| John Exley | 1500 | - | - | 1500 | - | - | - | - | - | | | |
| Benjamin Dean | 51 | - | 8 | 30 | - | - | 21 | - | 8 | | | |
| Howe & Co. | 285 | 5 | 2 | 111 | 15 | 2 | 173 | 10 | - | | | |
| Clifford Pears | 107 | 6 | 7 | 24 | 6 | 7 | 83 | - | - | | | |
| George Peel | 93 | - | - | 93 | - | - | - | - | - | | | |
| Samuel Giles | 102 | 10 | 9 | 45 | - | - | 57 | 10 | 9 | | | |
| Oliver Helm | 113 | 8 | - | 113 | 8 | - | - | - | - | | | |
| £ | 7410 | 3 | - | 7410 | 3 | - | 2555 | 11 | 8 | 2555 | 11 | 8 |

**119. PRACTICAL BOOK-KEEPING** aims at recording all the monetary facts of a business so as to arrive at accurate results with the **least** possible amount of **labour.** In small businesses it is still customary to enter all the **details** of transactions in the Purchases, Sales, and Returns Books, but in larger and well-conducted concerns the entry of such details has long since been **abandoned.** In the case of **Purchases** all the invoices received are **filed** and numbered : the *date, name* of vendor, and total *net amount* only being entered in the **Purchases Book.**

**Invoices** in respect of **Sales** are either press-copied or **carbon-copied** on sheets of uniform size for filing ; the *date, name* of purchaser, and total *net amount* only being entered in the **Sales Book.**

**Credit Notes** are similarly copied, numbered and filed ; the *date, name* and *amount* only being entered in the **Returns Book.**

This **Slip System** is a great **time-saver,** reducing clerical labour to a minimum, without sacrificing any of the advantages of scientific Book-keeping. The

following **Exercise,** worked out in full, thoroughly **illustrates** this practical method.

**Candidates** for **Examinations** must, however, always comply with the **Instructions** on the **Examination Paper,** and *insert all details* in the various books, *unless* authorised to omit them.

**Practical Exercise worked out in full.**

Henry Mitchell and William Pollard started business in equal partnership on 1st July, 1914, with the following balances :— *Assets*, Cash in hand £41, at Bank £1204 3s. 6d. Freehold Premises £600. Furniture & Fittings £100. Stock of Goods £900. Debtors :—Charles Cook £164 9s. David Dawson £549 3s. 2d. *Liabilities*, Henry Haigh £708 3s. 5d. Walter White £250 12s. 3d. Capital, H. Mitchell £1300, W. Pollard £1300.

| | | | | | |
|---|---|---|---|---|---|
| July | 3. | Bought from H. Haigh, Goods ..... | £235 | – | – |
| ,, | 4. | Sold to Charles Cook, Goods ..... | 163 | – | – |
| ,, | 7. | Bought Filing Cabinet for cheque ..... | 20 | – | – |
| ,, | 9. | Paid Henry Haigh cheque £475, Discount | 25 | – | – |
| ,, | 10. | Paid out of Office Cash for Stationery ... | 5 | 3 | 6 |
| ,, | 11. | Received from David Dawson, cheque, and paid same direct to Bank £190, Discount | 10 | – | – |
| ,, | 11. | Paid Wages out of Office Cash ..... | 26 | – | – |
| ,, | 11. | W. Pollard withdrew for private use by cheque..... | 10 | – | – |
| ,, | 13. | Returned to Henry Haigh, Goods, being of inferior quality ..... | 8 | 8 | – |
| ,, | 15. | Sold to David Dawson, Goods ..... | 185 | 10 | – |
| ,, | 16. | Drew from Bank, Cash for Office ..... | 20 | – | – |
| ,, | 18. | Paid for Advertising out of Office Cash .. | 15 | 10 | – |
| ,, | 20. | David Dawson returned to us, Goods not being equal to sample ..... | 3 | – | – |
| ,, | 21. | Bought of Walter White, Goods..... | 48 | – | – |
| ,, | 22. | Sold to Charles Cook, Goods ..... | 49 | 3 | – |
| ,, | 23. | Drew from Bank, Cash for Office ..... | 20 | – | – |
| ,, | 24. | Received from Charles Cook, cheque, and paid same direct to Bank, £156 4s. 6d. Dis. | 8 | 4 | 6 |
| ,, | 25. | Paid Wages out of Office Cash ..... | 26 | – | – |
| ,, | 25. | Returned to White, Goods of inferior quality | 1 | 16 | – |
| ,, | 25. | W. Pollard withdrew for private use by cheque..... | 10 | – | – |
| ,, | 27. | Paid Walter White by cheque £238, Dis... | 12 | 12 | 3 |
| ,, | 28. | Received from David Dawson cheque on account and paid direct into Bank .... | 200 | – | – |
| ,, | 28. | Received from Charles Cook, cheque on account, and paid direct into Bank ... | 100 | – | – |
| ,, | 29. | Returned to us by Charles Cook, Goods of inferior quality ..... | 1 | – | – |
| ,, | 31. | Paid Carriage A/c. by cheque ..... | 16 | 8 | 3 |
| ,, | 31. | Paid Sundry General Expenses out of Cash | 3 | 6 | 8 |
| ,, | 31. | Depreciation of Freehold Premises ..... | 2 | 10 | – |
| ,, | 31. | Depreciation of Furniture and Fittings... | 1 | – | – |

*Stock of Goods*, £980.

## JOURNAL.

| 1914 | | Dr. £ | Dr. s. | Dr. d. | Cr. £ | Cr. s. | Cr. d. |
|---|---|---|---|---|---|---|---|
| July 1 | Cash in hand ..... Dr. | 41 | - | - | | | |
| | Cash at Bank ..... ,, | 1204 | 3 | 6 | | | |
| | Freehold Premises ..... ,, | 600 | - | - | | | |
| | Furniture & Fittings ..... ,, | 100 | - | - | | | |
| | Stock of Goods ..... ,, | 900 | - | - | | | |
| | Charles Cook ..... ,, | 164 | 9 | - | | | |
| | David Dawson ..... ,, | 549 | 3 | 2 | | | |
| | To Henry Haigh ..... | | | | 708 | 8 | 5 |
| | ,, Walter White ..... | | | | 250 | 12 | 3 |
| | ,, H. Mitchell, Capital A/c. ..... | | | | 1300 | - | - |
| | ,, W. Pollard, Capital A/c. ..... | | | | 1300 | - | - |
| | **Total of Opening Entries** | £3558 | 15 | 8 | £3558 | 15 | 8 |
| ,, 31 | Depreciation A/c ..... Dr. | 3 | 10 | - | | | |
| | To Freehold Premises ..... | | | | 2 | 10 | - |
| | ,, Furniture & Fittings ..... | | | | 1 | - | - |
| | | £3 | 10 | - | £3 | 10 | - |
| | **Closing Entries** as follows :— | | | | | | |
| ,, 31 | Trading A/c. ..... Dr. | 900 | - | - | | | |
| | To Stock A/c. for Stock on 1st July | | | | 900 | - | |
| ,, 31 | Trading A/c. ..... Dr. | 283 | - | - | | | |
| | To Purchases A/c. ..... | | | | 283 | - | - |
| | for balance transferred | | | | | | |
| ,, 31 | Returns Outwards A/c. ..... Dr. | 10 | 4 | - | | | |
| | To Trading A/c. ..... | | | | 10 | 4 | - |
| | for balance transferred | | | | | | |
| ,, 31 | Sales A/c. ..... Dr. | 397 | 13 | - | | | |
| | To Trading A/c. ..... | | | | 397 | 13 | - |
| | for balance transferred | | | | | | |
| ,, 31 | Trading A/c. ..... Dr. | 4 | - | - | | | |
| | To Returns Inwards A/c. ..... | | | | 4 | - | |
| | for balance transferred | | | | | | |
| ,, 31 | Stock A/c. ..... Dr. | 980 | - | - | | | |
| | To Trading A/c. ..... | | | | 980 | - | - |
| | for Stock on 31st July | | | | | | |
| ,, 31 | Trading A/c. ..... Dr. | 200 | 17 | - | | | |
| | To Profit & Loss A/c. ..... | | | | 200 | 17 | - |
| | for Gross Profit transferred | | | | | | |
| ,, 31 | Profit & Loss A/c. ..... Dr. | 95 | 18 | 5 | | | |
| | To Carriage A/c. ..... | | | | 16 | 8 | 3 |
| | ,, Wages A/c. ..... | | | | 52 | - | - |
| | ,, Stationery A/c. ..... | | | | 5 | 3 | 6 |
| | ,, Advertising A/c. ..... | | | | 15 | 10 | - |
| | ,, General Expenses A/c. ..... | | | | 3 | 6 | 8 |
| | ,, Depreciation A/c. ..... | | | | 3 | 10 | - |
| | for balances transferred | | | | | | |
| ,, 31 | Discount A/c. ..... Dr. | 19 | 7 | 9 | | | |
| | To Profit & Loss A/c. ..... | | | | 19 | 7 | 9 |
| | for balance transferred | | | | | | |
| ,, 31 | Profit & Loss A/c. ..... Dr. | 124 | 6 | 4 | | | |
| | To H. Mitchell, Capital A/c. ... | | | | 62 | 3 | 2 |
| | ,, W. Pollard, Capital A/c. ..... | | | | 62 | 3 | 2 |
| | for Net Profit transferred | | | | | | |
| ,, 31 | W. Pollard, Capital A/c. ..... Dr. | 20 | - | - | | | |
| | To W. Pollard, Drawings A/c. | | | | 20 | - | - |
| | for balance transferred | | | | | | |
| | **Total of Closing Entries.** | £3035 | 6 | 6 | £3035 | 6 | 6 |

**Purchases Book.**

| 1914 | | L.F. Cr. | £ | s. | d. |
|---|---|---|---|---|---|
| July 3 | Henry Haigh ..... | | 235 | - | - |
| ,, 21 | Walter White ..... | | 48 | - | - |
| | Purchases A/c.....Dr. | | £283 | - | - |

**Returns Outwards Book.**

| 1914 | | L.F. Dr. | £ | s. | d. |
|---|---|---|---|---|---|
| July 13 | Henry Haigh ..... | | 8 | 8 | - |
| ,, 25 | Walter White ..... | | 1 | 16 | - |
| | Returns Outwards A/c..Cr. | | £10 | 4 | - |

**Sales Book.**

| 1914 | | L.F. Dr. | £ | s. | d. |
|---|---|---|---|---|---|
| July 4 | Charles Cook ..... | | 163 | - | - |
| ,, 15 | David Dawson ..... | | 185 | 10 | - |
| ,, 22 | Charles Cook ..... | | 49 | 3 | - |
| | Sales A/c. .....Cr. | | £397 | 13 | - |

**Returns Inwards Book.**

| 1914 | | L.F. Cr. | £ | s. | d. |
|---|---|---|---|---|---|
| July 20 | David Dawson ..... | | 3 | - | - |
| ,, 29 | Charles Cook ..... | | 1 | - | - |
| | Returns Inwards A/c...Dr. | | £4 | - | - |

## Treble Column CASH BOOK.

**Dr.** *CASH.* *CONTRA.* **Cr.**

| Date. | Receipts. | L. F. Cr. | Discount allowed £ | s. | d. | Office Cash £ | s. | d. | Bank £ | s. | d. | Date. | Payments. | L. F. Dr. | Discount Receiv'd £ | s. | d. | Office Cash £ | s. | d. | Bank £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1914 | | | | | | | | | | | | 1914 | | | | | | | | | | | |
| July 1 | To Balances b/f. .... | | | | | 41 | – | – | 1204 | 3 | 6 | July 7 | By Filing Cabinet ... | | | | | | | | 20 | – | – |
| ,, 11 | ,, David Dawson ... | | 10 | – | – | | | | 190 | – | – | ,, 9 | ,, Henry Haigh .... | | 25 | – | – | | | | 475 | – | – |
| ,, 16 | ,, Bank ..... | | | | | 20 | – | – | | | | ,, 10 | ,, Stationery ..... | | | | | 5 | 3 | 6 | | | |
| ,, 23 | ,, Bank ..... | | | | | 20 | – | – | | | | ,, 11 | ,, Wages ..... | | | | | 26 | – | – | | | |
| ,, 24 | ,, Charles Cook .... | | 8 | 4 | 6 | | | | 156 | 4 | 6 | ,, 11 | ,, W. Pollard, Drawings .... | | | | | | | | 10 | – | – |
| ,, 28 | ,, David Dawson ... | | | | | | | | 200 | – | – | | | | | | | | | | | | |
| ,, 28 | ,, Charles Cook .... | | | | | | | | 100 | – | – | ,, 16 | ,, Office ..... | | | | | | | | 20 | – | – |
| | | | | | | | | | | | | ,, 18 | ,, Advertising ..... | | | | | 15 | 10 | – | | | |
| | | | | | | | | | | | | ,, 23 | ,, Office ..... | | | | | | | | 20 | – | – |
| | | | | | | | | | | | | ,, 25 | ,, Wages ..... | | | | | 26 | – | – | | | |
| | | | | | | | | | | | | ,, 25 | ,, W. Pollard, Drawings .... | | | | | | | | 10 | – | – |
| | | | | | | | | | | | | ,, 27 | ,, Walter White ... | | 12 | 12 | 3 | | | | 238 | – | – |
| | | | | | | | | | | | | ,, 31 | ,, Carriage ..... | | | | | | | | 16 | 8 | 3 |
| | | | | | | | | | | | | ,, 31 | ,, General Expenses | | – | | | 3 | 6 | 8 | | | |
| | | | | | | | | | | | | ,, 31 | ,, *Balances c/d.* .... | | | | | 4 | 19 | 10 | 1040 | 19 | 9 |
| | Discount A/c. ...Dr. | | £18 | 4 | 6 | | | | | | | | Discount A/c.....Cr. | | £37 | 12 | 3 | | | | | | |
| | | | | | | £81 | – | – | £1850 | 8 | – | | | | | | | £81 | – | – | £1850 | 8 | – |
| Aug. 1 | To Balances b/d. .... | | | | | 4 | 19 | 10 | 1040 | 19 | 9 | | | | | | | | | | | | |

**Dr.** **Henry Mitchell, Capital A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | *To Balance c/d.* ..... | 1362 | 3 | 2 | July 1 | By Balance b/f. ... | 1300 | - | - |
| | | | | | ,, 31 | ,, Half share of Net Profit ..... | 62 | 3 | 2 |
| | | £1362 | 3 | 2 | | | £1362 | 3 | 2 |
| | | | | | Aug. 1 | By Balance b/d. ... | 1362 | 3 | 2 |

**Dr.** **William Pollard, Capital A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Drawings ..... | 20 | - | - | July 1 | By Balance b/f. ... | 1300 | - | - |
| ,, 31 | ,, *Balance c/d.* ..... | 1342 | 3 | 2 | ,, 31 | ,, Half share of Net Profit ..... | 62 | 3 | 2 |
| | | £1362 | 3 | 2 | | | £1362 | 3 | 2 |
| | | | | | Aug. 1 | By Balance b/d. ... | 1342 | 3 | 2 |

**Dr.** **William Pollard, Drawings A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 11 | To Cash ..... | 10 | - | - | July 31 | *By Transfer to Capital A/c.* . | 20 | - | - |
| ,, 25 | ,, Cash ..... | 10 | - | - | | | | | |
| | £ | 20 | - | - | | £ | 20 | - | - |

**Dr.** **Freehold Premises A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 1 | To Balance b/f. ..... | 600 | - | - | July 31 | By Depreciation ... | 2 | 10 | - |
| | | | | | ,, 31 | ,, *Balance c/d.* .... | 597 | 10 | - |
| | £ | 600 | - | - | | £ | 600 | - | - |
| Aug. 1 | To Balance b/d..... | 597 | 10 | - | | | | | |

**Dr.** **Furniture & Fittings A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 1 | To Balance b/f. ..... | 100 | - | - | July 31 | By Depreciation ... | 1 | - | - |
| ,, 7 | ,, Filing Cabinet .... | 20 | - | - | ,, 31 | ,, *Balance c/d.* .... | 119 | - | - |
| | £ | 120 | - | - | | £ | 120 | - | - |
| Aug. 1 | To Balance b/d..... | 119 | - | - | | | | | |

**Dr.** **Stock A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 1 | To Balance b/f. ..... | 900 | - | - | July 31 | *By Transfer to Trading A/c.* . | 900 | - | - |
| Aug. 1 | To Balance b/f. ..... | 980 | - | - | | | | | |

**Dr.** **Purchases A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Sundries as per Purchases Book.. | 283 | - | - | July 31 | *By Transfer to Trading A/c.* | 283 | - | - |

**Dr.** **Returns Outwards A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | *To Transfer to Trading A/c.* .. | 10 | 4 | - | July 31 | By Sundries as per Returns O.B. | 10 | 4 | - |

**Dr.** **Sales A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | *To Transfer to Trading A/c.* .. | 397 | 13 | - | July 31 | By Sundries as per Sales Book | 397 | 13 | - |

**Dr.** **Returns Inwards A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Sundries as per Returns I.B... | 4 | - | - | July 31 | *By Transfer to Trading A/c.* | 4 | - | - |

**Dr.** **Carriage A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Cash ..... | 16 | 8 | 3 | July 31 | *By Transfer to P. & L. A/c.* | 16 | 8 | 3 |

**Dr.** **Wages A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 11 | To Cash ..... | 26 | - | - | July 31 | *By Transfer to P. & L. A/c.* | 52 | - | - |
| ,, 25 | ,, Cash ..... | 26 | - | - | | | | | |
| | | £52 | - | - | | | £52 | - | - |

**Dr.** **Stationery A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 10 | To Cash ..... | 5 | 3 | 6 | July 31 | *By Transfer to P. & L. A/c.* | 5 | 3 | 6 |

**Dr.** **Advertising A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 18 | To Cash ..... | 15 | 10 | - | July 31 | *By Transfer to P. & L. A/c.* | 15 | 10 | - |

**Dr.** **Discount A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Sundries as per Cash Book.. | 18 | 4 | 6 | July 31 | By Sundries as per Cash Book | 37 | 12 | 3 |
| „ 31 | „ *Transfer to P. & L. A/c.* .. | 19 | 7 | 9 | | | | | |
| | | £37 | 12 | 3 | | | £37 | 12 | 3 |

**Dr.** **General Expenses A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Cash ..... | 3 | 6 | 8 | July 31 | *By Transfer to P. & L. A/c...* | 3 | 6 | 8 |

**Dr.** **Depreciation A/c.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 31 | To Premises ..... | 2 | 10 | - | July 31 | *By Transfer to P. & L. A/c...* | 3 | 10 | - |
| „ 31 | „ Furniture ..... | 1 | - | - | | | | | |
| | | £3 | 10 | - | | | £3 | 10 | - |

**Dr.** **Charles Cook.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 1 | To Balance b/f..... | 164 | 9 | - | July 24 | By Cash ..... | 156 | 4 | 6 |
| „ 14 | „ Goods ..... | 163 | - | - | „ 24 | „ Discount ..... | 8 | 4 | 6 |
| „ 22 | „ Goods ..... | 49 | 3 | - | „ 28 | „ Cash ..... | 100 | - | - |
| | | | | | „ 29 | „ Returns ..... | 1 | - | - |
| | | | | | „ 31 | „ *Balance c/d.* ..... | 111 | 3 | - |
| | | £ | 376 | 12 | - | | £ | 376 | 12 | - |
| Aug. 1 | To Balance b/d..... | | 111 | 3 | - | | | | |

**Dr.** **David Dawson.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 1 | To Balance b/f..... | 549 | 3 | 2 | July 11 | By Cash ..... | 190 | - | - |
| „ 15 | „ Goods ..... | 185 | 10 | - | „ 11 | „ Discount..... | 10 | - | - |
| | | | | | „ 20 | „ Returns ..... | 3 | - | - |
| | | | | | „ 28 | „ Cash ..... | 200 | - | - |
| | | | | | „ 31 | „ *Balance c/d.* ..... | 331 | 13 | 2 |
| | | £ | 734 | 13 | 2 | | £ | 734 | 13 | 2 |
| Aug. 1 | To Balance b/d..... | | 331 | 13 | 2 | | | | |

**Dr.** **Henry Haigh.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 9 | To Cash | 475 | - | - | July 1 | By Balance b/f. | 708 | 3 | 5 |
| ,, 9 | ,, Discount | 25 | - | - | ,, 3 | ,, Goods | 235 | - | - |
| ,, 13 | ,, Returns | 8 | 8 | - | | | | | |
| ,, 31 | ,, *Balance c/d.* | 434 | 15 | 5 | | | | | |
| | £ | 943 | 3 | 5 | | £ | 943 | 3 | 5 |
| | | | | | Aug. 1 | By Balance b/d. | 434 | 15 | 5 |

**Dr.** **Walter White.** **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 25 | To Returns | 1 | 16 | - | July 3 | By Balance b/f. | 250 | 12 | 3 |
| ,, 27 | ,, Cash | 238 | - | - | ,, 21 | ,, Goods | 48 | - | - |
| ,, 27 | ,, Discount | 12 | 12 | 3 | | | | | |
| ,, 31 | ,, *Balance c/d.* | 46 | 4 | - | | | | | |
| | £ | 298 | 12 | 3 | | £ | 298 | 12 | 3 |
| | | | | | Aug. 1 | By Balance b/d. | 46 | 4 | - |

**Trial Balance, 31st July, 1914.**

| | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|
| Cash | 4 | 19 | 10 | | | |
| Bank | 1040 | 19 | 9 | | | |
| Henry Mitchell, Capital A/c. | | | | 1300 | - | - |
| William Pollard, Capital A/c. | | | | 1300 | - | - |
| William Pollard, Drawings A/c. | 20 | - | - | | | |
| Freehold Premises A/c. | 597 | 10 | - | | | |
| Furniture & Fittings A/c. | 119 | - | - | | | |
| Stock A/c. | 900 | - | - | | | |
| Purchases A/c. | 283 | - | - | | | |
| Returns Outwards A/c. | | | | 10 | 4 | - |
| Sales A/c. | | | | 397 | 13 | - |
| Returns Inwards A/c. | 4 | - | - | | | |
| Carriage A/c. | 16 | 8 | 3 | | | |
| Wages A/c. | 52 | - | - | | | |
| Stationery A/c. | 5 | 3 | 6 | | | |
| Advertising A/c. | 15 | 10 | - | | | |
| Discount A/c. | | | | 19 | 7 | 9 |
| General Expenses A/c. | 3 | 6 | 8 | | | |
| Depreciation A/c. | 3 | 10 | - | | | |
| Charles Cook | 111 | 3 | - | | | |
| David Dawson | 331 | 13 | 2 | | | |
| Henry Haigh | | | | 434 | 15 | 5 |
| Walter White | | | | 46 | 4 | - |
| £ | 3508 | 4 | 2 | £3508 | 4 | 2 |

**Dr.** **Trading A/c.** for the month of July, 1914. **Cr.**

| 1914 | | £ | s. | d. | 1914 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| July 1 | To Stock ..... | 900 | - | - | July 31 | By Sales ...£397 13 | | | |
| ,, 31 | ,, Purchases £283 - | | | | | *Less* Returns 4 - | 393 | 13 | - |
| | *Less* Returns 10 4 | 272 | 16 | - | ,, 31 | ,, STOCK..... | 980 | - | - |
| ,, 31 | ,, **Gross Profit** *carried to P. & L. A/c.* | 200 | 17 | - | | | | | |
| | £ | 1373 | 13 | - | | £ | 1373 | 13 | - |

**Dr.** **Profit & Loss A/c.** for the month of July, 1914. **Cr.**

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To Carriage ..... | 16 | 8 | 3 | By Gross Profit from Trading A/c..... | 200 | 17 | - |
| ,, Wages ..... | 52 | - | - | ,, Discount ..... | 19 | 7 | 9 |
| ,, Stationery ..... | 5 | 3 | 6 | | | | |
| ,, Advertising ..... | 15 | 10 | - | | | | |
| ,, General Expenses ..... | 3 | 6 | 8 | | | | |
| ,, Depreciation ..... | 3 | 10 | - | | | | |
| ,, **Net Profit** *transferred to Capital A/cs. of :—* | | | | | | | |
| H. Mitchell £62 3 2 | | | | | | | |
| W. Pollard 62 3 2 | 124 | 6 | 4 | | | | |
| £ | 220 | 4 | 9 | £ | 220 | 4 | 9 |

**Balance Sheet** of **Mitchell & Pollard,** on 31st July, 1914.

| **Liabilities.** | £ | s. | d. | **Assets.** | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Sundry Creditors :— | | | | Freehold Premises £600 - - | | | |
| Henry Haigh ..£434 15 5 | | | | *Less* Depreciation 2 10 - | | | |
| Walter White.. 46 4 - | | | | | 597 | 10 | - |
| | 480 | 19 | 5 | Furniture & Fitt'gs £100 - - | | | |
| **Capital** :— | | | | *Add* Additions 20 - - | | | |
| H. Mitchell ..£1300 - - | | | | | 120 | - | - |
| *Add* ½ Net Profit 62 3 2 | | | | *Less* Depreciation 1 - - | | | |
| | 1362 | 3 | 2 | | 119 | - | - |
| W. Pollard ...£1300 - - | | | | Stock of Goods ..... | 980 | - | - |
| *Add* ½ Net Profit 62 3 2 | | | | Sundry Debtors :— | | | |
| | | | | Charles Cook..£111 3 - | | | |
| £1362 3 2 | | | | David Dawson 331 13 2 | | | |
| *Less* Drawings 20 - - | | | | | 442 | 16 | 2 |
| | 1342 | 3 | 2 | Cash in hand ..£ 4 19 10 | | | |
| | | | | Cash at Bank .. 1040 19 9 | | | |
| | | | | | 1045 | 19 | 7 |
| £ | 3185 | 5 | 9 | £ | 3185 | 5 | 9 |

**Practical Exercise 27.** (*Tabular.*)

This exercise, as well as the next, is adapted from Elementary **Examination** papers set by the **West Riding County Council.**

Compile *tabular* Bought, Sold and Cash Books; also Journal. Post and complete Ex. (see par. 103). Separate A/cs. will, of course, be needed for Tea, Sugar, and Coffee. (*See page* 30.)

On 1st April, 1907, the Books of John Alvey (myself) showed the following Dr. Balances:—Cash at Bank, £960; at Office, £48 10s.; Tea, £400; Sugar, £150; Coffee, £150. Walter Bell, £50; John Taylor, £45; Office Furniture & Fittings, £80.

| | | | | | |
|---|---|---|---|---|---|
| April | 1. | Bot. of J. Gray, Tea, £20; Sugar, £40; Coffee, £24 | 84 | – | – |
| ,, | 2. | Purchased of Wm. Wilson, Tea, £80; Coffee, £45 | 125 | – | – |
| ,, | 3. | Received from John Taylor on A/c. | 20 | – | – |
| ,, | 3. | Paid into Bank (90) | 60 | – | – |
| ,, | 3. | Sold to Thos. Mason: Tea, £40; Sugar, £56 | 96 | – | – |
| ,, | 5. | Bot. of James Gray: Tea, £20; Sugar, £27 | 47 | – | – |
| ,, | 6. | Sold Chas. Jones: Sugar, £27; Tea, £20.. | 47 | – | – |
| ,, | 7. | Cash Sales, Tea, £15; Sugar, £19; Coffee, £12 | 46 | – | – |
| ,, | 8. | Sold to Thomas Mason on Credit: Tea, £80; Sugar, £20; Coffee, £20. | 120 | – | – |
| ,, | 8. | Paid Cash for Repairs | 6 | 5 | – |
| ,, | 8. | Paid Fire Insurance Premium | 1 | – | – |
| ,, | 9. | Paid Cheque to James Gray, £80; Dis. £4 | 84 | – | – |
| ,, | 10. | Recd. from T. Mason: Cash, £90; Dis. £7 | 97 | – | – |
| ,, | 12. | Paid Cash to James Gray | 50 | – | – |
| ,, | 12. | Paid into Bank (90) | 80 | – | – |
| ,, | 14. | Bot. of J. Gray, Tea £40; Sugar £26; Coffee £35 | 101 | – | – |
| ,, | 14. | Sold for Cash, Tea £10; Sugar £12; Coffee £8 | 30 | – | – |
| ,, | 15. | Recd. Cheque of Charles Jones, £41; Dis. £6 | 47 | – | – |
| ,, | 15. | Deposited in Bank (90) | 70 | – | – |
| ,, | 16. | Bought of William Wilson: Tea, £80; Sugar, £20; Coffee, £40 | 140 | – | – |
| ,, | 16. | Paid him on A/c. by Cheque, £95; Dis. £5 | 100 | – | – |
| ,, | 17. | Withdrew from Bank (90) | 20 | – | – |
| ,, | 17. | Pd. Cash for Office Files & Copying Press (81) | 12 | 10 | – |
| ,, | 19. | Recd. of John Taylor, Cheque in settlement | 25 | – | – |
| ,, | 19. | Paid same into Bank | 25 | – | – |
| ,, | 20. | Sold to Charles Jones: Tea £100; Coffee £20 | 120 | – | – |
| ,, | 21. | Cash Recd. for Tea £19; Sugar £23; Coffee £10 | 52 | – | – |
| ,, | 22. | Recd. of C. Jones, Cheque, £110; Dis. £10 | 120 | – | – |
| ,, | 22. | Paid in Bank | 140 | – | – |
| ,, | 24. | Sold Thomas Mason: Tea, £35; Sugar, £27; Coffee, £12 | 74 | – | – |
| ,, | 26. | Walter Bell pays me a first and final dividend of 13/4 in the £ (95a) | | | |
| ,, | 27. | Tea of the value of £50 destroyed by fire. Value of Insurance | 25 | – | – |
| | | (*Royal Insurance Co. Dr.* £25, *Loss by Fire A/c. Dr.* £25, *to Tea*, £50) | | | |
| ,, | 27. | Paid into Bank | 40 | – | – |

| | | | | |
|---|---|---|---|---|
| Apl. 28. | Cash Sales : Tea, £11 ; Sugar, £9 ..... | £20 | – | – |
| ,, 29. | Recd. Cheque from Royal Insurance Co. | 25 | – | – |
| ,, 29. | Paid into Bank..... | 50 | – | – |
| ,, 30. | Drew for Private Expenses by cheque (78) | 10 | – | – |
| ,, 30. | Paid Sundry Expenses in Cash ..... | 16 | – | – |
| ,, 30. | Paid Wages by Cheque ..... | 11 | – | – |
| ,, 30. | Rent *due* to James Shaw (*Rent Dr. To J. Shaw*) ..... | 4 | 10 | – |
| ,, 30. | Depreciation of Office Furniture, etc. (82). | 6 | – | – |
| ,, 30. | Charge Interest on Capital (71) ..... | 10 | – | – |

*Stock of Tea*, £380 ; *Sugar*, £100 ; *Coffee*, £258.

**Ex. 27. Trial Balance.**

| | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash A/c. | 535 16 8 | 525 15 - | 10 1 8 | |
| Bank A/c. | 1425 - - | 216 - - | 1209 - - | |
| Capital A/c. | | 1893 10 - | | 1893 10 - |
| Drawings A/c. | 10 - - | | 10 - - | |
| Stock A/c. :— | | | | |
| Tea | 400 - - | | 400 - - | |
| Sugar | 150 - - | | 150 - - | |
| Coffee | 150 - - | | 150 - - | |
| Purchases A/c. :— | | | | |
| Tea | 240 - - | | 240 - - | |
| Sugar | 113 - - | | 113 - - | |
| Coffee | 144 - - | | 144 - - | |
| Sales A/c. :— | | | | |
| Tea | | 380 - - | | 380 - - |
| Sugar | | 193 - - | | 193 - - |
| Coffee | | 82 - - | | 82 - - |
| Office Furniture & Fittings | 92 10 - | 6 - - | 86 10 - | |
| Wages A/c. | 11 - - | | 11 - - | |
| Bad Debts A/c. | 16 13 4 | | 16 13 4 | |
| Depreciation A/c. | 6 - - | | 6 - - | |
| Interest A/c. | 10 - - | | 10 - - | |
| Discount A/c. | 23 - - | 9 - - | 14 - - | |
| Trade Expenses A/c. | 27 15 - | | 27 15 - | |
| Loss by Fire A/c. | 25 - - | | 25 - - | |
| James Shaw | | 4 10 - | | 4 10 - |
| James Gray | 134 - - | 232 - - | | 98 - - |
| William Wilson | 100 - - | 265 - - | | 165 - - |
| Walter Bell | 50 - - | 50 - - | - - - | |
| John Taylor | 45 - - | 45 - - | - - - | |
| Royal Insurance Co. | 25 - - | 25 - - | - - - | |
| Thomas Mason | 290 - - | 97 - - | 193 - - | |
| Charles Jones | 167 - - | 167 - - | - - - | |
| £ | 4190 15 - | 4190 15 - | 2816 - - | 2816 - - |

## Practical Exercise 28. (*Tabular.*)

From the Waste Book Entries of Messrs. Inglis and Glennie, Dyewood and Colour Merchants, prepare Bought, Sales, Cash Books and Journal. Post, prepare T.B., and P. & L. A/c. and B/S. The profits are equally divided. Separate A/cs. for Dyewoods and Colours.

Jan., 1908. Cash at Office, £87 16s. 8d. Bank Balance, £500. Stock of Dyewoods, £1080 18s. 5d. Colours, £1286 6s. 9d. Office

Furniture, £100. Horses & Waggons, etc., £180. Balances owing by :—Leslie & Co., £238 4s. 6d., Gordon & Jackson, £184 16s. 5d., Macdonald & Co., £216 9s. 8d. Balances due to : Morrison & Sons, £178 12s. 10d. Robertson & Cooper, £397 18s. 5d. Byer & Sons, £387 18s. 6d. Glasgow Aniline Co., £153 16s. 9d. Capital : Robert Inglis, £1330 6s. 6d. Wilson Glennie, £1425 19s. 5d.

| | | | | | |
|---|---|---|---|---|---|
| Jan. | 1. | Purchased from Rennie & Sons, Dyewoods | £100 | – | – |
| ,, | 1. | Sold Borthwick & Stewart :— Dyewoods..£31 – –; Colours..£70 12 3—101 | 12 | 3 | |
| ,, | 3. | Recd. Invoice from Glasgow Aniline Co., Colours..... | 235 | 15 | 8 |
| ,, | 5. | Paid Rennie & Sons, cheque ..... | 100 | – | – |
| ,, | 6. | Recd.cheq.of Gordon&Jackson,£82 14 ; Dis. | 2 | 2 | 5 |
| ,, | 7. | Delivered (sold) to Baird & Sons :— Colours, £66 9 5 ; Dyewoods, £51 6 – | 117 | 15 | 5 |
| ,, | 7. | Paid into Bank (90)..... | 160 | – | – |
| ,, | 8. | Paid Cash for Office Furniture (81) ..... | 6 | 10 | – |
| ,, | 8. | Recd. Inv. of Rennie & Sons, Dyewoods | 146 | – | – |
| ,, | 10. | Pd.Robertson&Cooper cheq.£200, Dis.£20 | 220 | – | – |
| ,, | 11. | Consigned (sold) to Leslie & Co. :— Colours, £125 13 – ; Dyewoods, £65 – —190 | 13 | – | |
| ,, | 12. | Recd. from Rennie & Sons, Inv. of Dyewoods | 135 | 5 | – |
| ,, | 12. | Withdrew from Bank (90) ..... | 40 | – | – |
| ,, | 13. | Paid Wages ..... | 11 | 12 | – |
| ,, | 14. | Invoiced (sold) to Henderson & Linton :— Dyewoods £69 18 10 ; Colours £71 6 6 —141 | 5 | 4 | |
| ,, | 15. | Paid Rennie & Sons, cheque ..... | 281 | 5 | – |
| ,, | 15. | Paid Cash for Horse Corn (Trade Exs.) | 3 | 8 | 6 |
| ,, | 17. | Invoiced(sold)to Macdonald&Co.,Dyewoods | 145 | 5 | – |
| ,, | 18. | Paid Cash for Railway Carriage ..... | 8 | 5 | 6 |
| ,, | 18. | Paid Cheque Glasgow Aniline Co., £146 3 – Dis. £7 13 9..... | 153 | 16 | 9 |
| ,, | 19. | Sold Gordon & Jackson, Colours ..... | 268 | 19 | 6 |
| ,, | 19. | BoughtStationery fromAlex.Millar(*Journal*) | 18 | 5 | 9 |
| ,, | 20. | R. Inglis withdrew cash (78) ..... | 15 | – | – |
| ,, | 20. | Recd. Leslie & Co., cheque, £134 15 –, Dis. and paid cheque into Bank ..... | 3 | 9 | 6 |
| | | | 134 | 15 | – |
| ,, | 20. | Invoiced (sold) to Gordon & Jackson :— Colours £160 7 – ; Dyewoods £81 9 11 | 241 | 16 | 11 |
| ,, | 21. | Paid for Repairs..... | 3 | 8 | 6 |
| ,, | 21. | Recd.of Macdonald&Co.,cheq.£211 1 -, Dis. | 5 | 8 | 8 |
| ,, | 21. | PaidCheq.to Morrison&Sons, £176 3 -, Dis. | 2 | 9 | 10 |
| ,, | 21. | Recd.Borthwick&Stewart's cheq.£99 2 -,Dis. | 2 | 10 | 3 |
| ,, | 21. | Consigned (sold) to Boyd & Nesbit :— Dyewoods, £95 15 – ; Colours, £139 17 6—235 | 12 | 6 | |
| ,, | 22. | Recd.Cheq.from Baird&Sons,£114 17 -, Dis. | 2 | 18 | 5 |
| ,, | 22. | Recd.fromRobertson&CooperInv.ofColours | 327 | 16 | – |
| ,, | 22. | Withdrew from Bank ..... | 30 | – | – |
| ,, | 22. | Paid for repairing Waggons & Harness (81) | 6 | 18 | 6 |
| ,, | 22. | Forwarded (sold) Leslie & Co. :— Dyewoods..£87 15 -; Colours..£76 - —163 | 15 | – | |

| | | | | | |
|---|---|---|---|---|---|
| Jan. 22. | Henderson & Linton paid Cheque £130 ; Dis. £3 7s. | £133 | 7 | – |
| ,, 22. | Paid 4 Cheques into Bank | 555 | – | – |
| ,, 22. | Forwarded (sold) Baird & Sons, Colours.. | 261 | 1 | 2 |
| ,, 24. | Morrison's Invoiced to us, Colours | 78 | 5 | – |
| ,, 24. | Paid Wages | 22 | 5 | 8 |
| ,, 24. | Delivered (sold) to Gordon & Jackson, Colours | 92 | 19 | 11 |
| ,, 24. | Paid Rent by Cheque | 25 | – | – |
| ,, 25. | Wilson Glennie withdrew by Cheque (78) | 20 | – | – |
| ,, 25. | Sold to Henderson & Linton :— Dyewoods, £72 15 4 ; Colours, £333 9 10— | 406 | 5 | 2 |
| ,, 25. | Paid A. Millar, Cheque £17 9 - ; Dis. 16/9 | 18 | 5 | 9 |
| ,, 26. | Received Cheque on A/c. from Boyd & Nesbit and paid same into Bank to-day | 200 | – | – |
| ,, 28. | Paid Fire Insurance Premium | 1 | 10 | – |
| ,, 29. | Robert Inglis withdrew by Cheque (78) | 20 | – | – |
| ,, 31. | Paid Sundry Trade Expenses by Cheque | 11 | 3 | – |
| ,, 31. | Recd. from Boyd & Nesbit dividend of 15/- in the £ on £35 12 6, being bal. owing(95) | 26 | 14 | 4 |

*Stock of Dyewoods* £1050 10 – ; *Colours* £450 15 6.

**Ex. 28. Trial Balance.**

| | Totals. Dr. £ s. d. | Totals. Cr. £ s. d. | Balances. Dr. £ s. d. | Balances. Cr. £ s. d. |
|---|---|---|---|---|
| Cash A/c. | 822 5 - | 793 18 8 | 28 6 4 | |
| Bank A/c. | 1549 15 - | 1067 3 - | 482 12 - | |
| Robert Inglis' Capital A/c. | | 1330 6 6 | | 1330 6 6 |
| Robert Inglis' Drawings A/c. | 35 - - | | 35 - - | |
| Wilson Glennie's Capital A/c. | | 1425 19 5 | | 1425 19 5 |
| WilsonGlennie'sDraw'gs A/c. | 20 - - | | 20 - - | |
| Stock A/c. :— | | | | |
| Dyewoods | 1080 18 5 | | 1080 18 5 | |
| Colours | 1286 6 9 | | 1286 6 9 | |
| Purchases A/c. :— | | | | |
| Dyewoods | 381 5 - | | 381 5 - | |
| Colours | 641 16 8 | | 641 16 8 | |
| Sales A/c. :— | | | | |
| Dyewoods | | 700 5 1 | | 700 5 1 |
| Colours | | 1666 16 1 | | 1666 16 1 |
| Office Furniture A/c. | 106 10 - | | 106 10 - | |
| Horses, Waggons, &c., A/c. | 180 - - | | 180 - - | |
| Bad Debts A/c. | 8 18 2 | | 8 18 2 | |
| Carriage A/c. | 8 5 6 | | 8 5 6 | |
| Wages A/c. | 33 17 8 | | 33 17 8 | |
| Discount A/c. | 19 16 3 | 31 - 4 | | 11 4 1 |
| Trade Expenses A/c. | 69 14 3 | | 69 14 3 | |
| John Morrison & Sons | 178 12 10 | 256 17 10 | | 78 5 - |
| Robertson & Cooper | 220 - - | 725 14 5 | | 505 14 5 |
| David Byer & Sons | | 387 18 6 | | 387 18 6 |
| Glasgow Aniline Co. | 153 16 9 | 389 12 5 | | 235 15 8 |
| Alex. Millar | 18 5 9 | 18 5 9 | | - - - |
| Rennie & Sons | 381 5 - | 381 5 - | | - - - |
| Alex. Macdonald & Co. | 361 14 8 | 216 9 8 | 145 5 - | |
| Boyd & Nesbit | 235 12 6 | 235 12 6 | - - - | |
| Andrew Leslie & Co. | 592 12 6 | 138 4 6 | 454 8 - | |
| Borthwick & Stewart | 101 12 3 | 101 12 3 | - - - | |
| James Baird & Sons | 378 16 7 | 117 15 5 | 261 1 2 | |
| Henderson & Linton | 547 10 6 | 133 7 - | 414 3 6 | |
| Gordon & Jackson | 788 12 9 | 84 16 5 | 703 16 4 | |
| £ | 10203 - 9 | 10203 - 9 | 6342 4 9 | 6342 4 6 |

**Practical Exercise 29.** (*Tabular.*)

Thomas Turner having had bequeathed to him the business of a Wine Merchant, carried on by his late uncle, took possession thereof 1st September, 1907, when he found the affairs to stand thus :—

*Assets* :—Cash, £86 14s. 3d. Bank, £1700 18s. 6d. Business Premises, £2000. Furniture & Fittings, £200. Horses, Carts, etc., £350. Stock of Port, £1140. Sherry, £980. Charles Gray, £110 11s. 0d. John Heath, £64 3s. 0d. Arthur Monson, £143 9s. 6d. Ernest Hooley, £206 10s. 6d. Fred Davis, £18 17s. 6d. Albert Boston, £83 6s. 0d. *Liabilities* :—Timms & Co., £1273 11s. 6d. Geisler & Co., £723 1s. 6d. Perrier & Co., £1078 16s. 0d. Capital £4009 1s. 3d., 1st September, 1907.

| | | | | | |
|---|---|---|---|---|---|
| Sept. | 1. | Withdrawn from business by Cheque (78) | £100 | – | – |
| ,, | 1. | Sold Port for Cash | 8 | 3 | 6 |
| ,, | 2. | Invoiced Charles Gray : Port £26 8 9 ; Sherry | 34 | 3 | 6 |
| ,, | 3. | Paid Cheque for Walnut Desk (81) | 28 | – | – |
| ,, | 4. | Recd. from Chas. Gray, £105. Dis. £5 11 - | 110 | 11 | – |
| ,, | 4. | Paid Wages in Cash | 5 | – | – |
| ,, | 4. | Paid into Bank | 180 | – | – |
| ,, | 6. | Sold Albert Boston, Port £46 7 6 ; Sherry | 28 | 13 | 4 |
| ,, | 7. | Recd. from Ernest Hooley, £95. Dis. £5 | 100 | – | – |
| ,, | 7. | Bought of Timms & Co., Port | 136 | 10 | – |
| ,, | 8. | Paid them Cheque, £190. Dis. £10 | 200 | – | – |
| ,, | 8. | Received Cheque of Albert Boston | 83 | 6 | – |
| ,, | 8. | Paid 2 Cheques into Bank | 178 | 6 | – |
| ,, | 9. | Sold Sherry for Cash | 13 | 10 | – |
| ,, | 10. | Recd. from Arthur Monson, £136. Dis. £7 9 6 | 143 | 9 | 6 |
| ,, | 11. | Paid Wages in Cash | 5 | – | – |
| ,, | 11. | Paid into Bank | 136 | – | – |
| ,, | 13. | Sold Ernest Hooley : Port £136 9 6 ; Sherry | 123 | 4 | 6 |
| ,, | 14. | Bought of Geisler & Co., Sherry | 210 | – | – |
| ,, | 15. | Paid them Cheque on A/c. | 400 | – | – |
| ,, | 16. | Sent Chas. Gray : Port £83 10s. ; Sherry | 68 | 17 | 6 |
| ,, | 17. | Recd. from him Cheque £57. Dis. £3 12 3 | 60 | 12 | 3 |
| ,, | 18. | Paid Wages | 5 | – | – |
| ,, | 18. | Paid Cash for Painting Premises (81) | 23 | – | – |
| ,, | 18. | Paid Cash for Gas | 4 | 5 | – |
| ,, | 18. | Paid into Bank | 40 | – | – |
| ,, | 20. | Bought of Perrier &Co. : Port £109, Sherry | 84 | 6 | – |
| ,, | 20. | Remitted them Cheque on A/c. | 500 | – | – |
| ,, | 21. | Withdrew from Bank | 30 | – | – |
| ,, | 21. | Paid Cash for New Cart (81) | 32 | 10 | – |
| ,, | 21. | Drew Cheque for private purposes (78) | 50 | – | – |
| ,, | 22. | Sold John Heath : Port £84 6, Sherry | 98 | 10 | – |
| ,, | 23. | Sold Albert Boston : Port £198 18 6, Sherry | 206 | 11 | – |
| ,, | 24. | Recd. from him Cheque, which paid into Bank to-day, £71. Dis. £4 – 10 | 75 | – | 10 |

| | | | | | |
|---|---|---|---|---|---|
| Sep. 24. | Paid Fire Insurance Premium, Cash..... | £4 | 5 | – |
| ,, 24. | Withdrew from Bank ..... | 40 | – | – |
| ,, 25. | Paid Wages in Cash..... | 5 | – | – |
| ,, 25. | Paid Cash for Corn and Fodder(TradeExs.) | 7 | 10 | 6 |
| ,, 27. | Bought of Perrier & Co. : Port £219 10; Sherry ..... | 143 | 9 | 6 |
| ,, 27. | Remitted them Cheque, £524. Dis. £54 16 - | 578 | 16 | – |
| ,, 28. | Hooley compounded with his Crs. for 10s. in the £. Recd. Cheq. & pd. it into Bank(95) | 183 | 2 | 3 |
| ,, 29. | Paid Borough Rate in Cash ..... | 27 | – | – |
| ,, 30. | Paid Rly. Carriage A/c. by Cheque..... | 13 | – | – |
| ,, 30. | Interest allowed by Bank (92) ..... | 10 | 5 | – |
| ,, 30. | Charge Depreciation on Premises (82) ... | 40 | – | – |
| ,, 30. | ,, ,, Furniture, etc. .. | 17 | 2 | – |
| ,, 30. | ,, ,, Horses, Carts, etc. | 38 | 5 | – |

*Stock—Value of Port,* £1363; *Sherry,* £1096.

**Ex. 29. Trial Balance.**

| | Totals. Dr. | | | Totals. Cr. | | | Balances. Dr. | | | Balances. Cr. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Cash A/c. | 654 | 18 | 9 | 652 | 16 | 6 | 1 | 17 | 3 | | | |
| Bank A/c. | 2499 | 11 | 9 | 1875 | - | - | 624 | 11 | 9 | | | |
| Capital A/c. | | | | 4009 | 1 | 3 | | | | 4009 | 1 | 3 |
| Drawings A/c. | 150 | - | - | | | | 150 | - | - | | | |
| Stock A/c. :— | | | | | | | | | | | | |
| Port | 1140 | - | - | | | | 1140 | - | - | | | |
| Sherry | 980 | - | - | | | | 980 | - | - | | | |
| Purchases A/c. :— | | | | | | | | | | | | |
| Port | 465 | - | - | | | | 465 | - | - | | | |
| Sherry | 497 | 15 | 6 | | | | 497 | 15 | 6 | | | |
| Sales A/c. :— | | | | | | | | | | | | |
| Port | | | | 584 | 3 | 9 | | | | 584 | 3 | 9 |
| Sherry | | | | 573 | 9 | 10 | | | | 573 | 9 | 10 |
| Business Premises A/c. | 2000 | - | - | 40 | - | - | 1960 | - | - | | | |
| Furniture & Fittings A/c. | 228 | - | - | 17 | 2 | - | 210 | 18 | - | | | |
| Horses, Carts, &c., A/c. | 382 | 10 | - | 38 | 5 | - | 344 | 5 | - | | | |
| Bad Debts A/c | 183 | 2 | 3 | | | | 183 | 2 | 3 | | | |
| Carriage A/c. | 13 | - | - | | | | 13 | - | - | | | |
| Wages A/c. | 20 | - | - | | | | 20 | - | - | | | |
| Depreciation A/c. | 95 | 7 | - | | | | 95 | 7 | - | | | |
| Interest A/c. | | | | 10 | 5 | - | | | | 10 | 5 | - |
| Discount A/c. | 25 | 13 | 7 | 64 | 16 | 1 | | | | 39 | 2 | 5 |
| Trade Expenses A/c. | 66 | - | 6 | | | | 66 | - | 6 | | | |
| Timms & Co. | 200 | - | - | 1410 | 1 | 6 | | | | 1210 | 1 | 6 |
| Geisler & Co. | 400 | - | - | 933 | 1 | 6 | | | | 533 | 1 | 6 |
| Perrier & Co. | 1078 | 16 | - | 1635 | 1 | 6 | | | | 556 | 5 | 6 |
| Ernest Hooley | 466 | 4 | 6 | 466 | 4 | 6 | | | | | | |
| Fred Davis | 18 | 17 | 6 | | | | 18 | 17 | 6 | | | |
| Albert Boston | 563 | 16 | 4 | 158 | 6 | 10 | 405 | 9 | 6 | | | |
| Charles Gray | 323 | 10 | 9 | 171 | 3 | 3 | 152 | 7 | 6 | | | |
| John Heath | 246 | 19 | - | | | | 246 | 19 | - | | | |
| Arthur Monson | 143 | 9 | 6 | 143 | 9 | 6 | - | - | - | | | |
| £ | 12782 | 7 | 11 | 12782 | 7 | 11 | 7515 | 10 | 9 | 7515 | 10 | 9 |

## Practical Exercise 30. (*Tabular.*)

*Assets* :—Cash £50 1s. 6d. Bank, £864 7s. 6d. Tea, £800. Coffee, £350. Cocoa, £410. Brown & Brooke, £162 1s. 3d. Simpson & Sons, £124 2s. 6d. Carter & Co., £98 12s. 3d. Bruce & Co., £172 17s. 0d. *Liabilities* :—Colman & Co., £401 2s. 6d. Wilson & Sons, £103 4s. Ramsden & Co., £127 15s. 6d. Alfred Bailey, £215. Capital, £2185, 2nd Jan., 1909. (*See lithographed examples at the end of the Manuscript Journal sold by the Author.*)

| | | | | | |
|---|---|---|---|---|---|
| Jan. 2. | Recd. of Brown & Brooke, Cheque £158, which paid into Bank. Dis. £4 1 3 ... | £162 | 1 | 3 |
| „ 2. | Sold Carter & Co., Tea .....£110 – – Cocoa..£30 10 –; Coffee..£15 – – | 155 | 10 | – |
| „ 2. | Pd. Colman & Co., Chq., £292 10. Dis. £7 10 | 300 | – | – |
| „ 2. | Sold Smith & Ward, Tea ..... | 60 | – | – |
| „ 2. | Sold Bruce & Co., Tea, £69 ; Coffee, £32 10— | 101 | 10 | – |
| „ 3. | Recd. of Simpson's, £121. Dis. £3 2 6 ... | 124 | 2 | 6 |
| „ 4. | Pd. Ramsden & Co., Chq., £125. Dis. £2 15 6 | 127 | 15 | 6 |
| „ 4. | Sold Brown & Brooke, Tea ...£169 – – Coffee 74 7 6 | 243 | 7 | 6 |
| „ 5. | Bought of Wilson & Sons, Tea ..... | 505 | – | – |
| „ 5. | Paid them Cheque, £101 10. Dis. £1 14 | 103 | 4 | – |
| „ 6. | Sold Simpson & Sons, Tea ..... | 260 | – | – |
| „ 6. | Received their Cheque on A/c. for ..... | 150 | – | – |
| „ 7. | Paid Wages ..... | 5 | – | – |
| „ 7. | Sold Brown & Brooke, Cocoa £60, Coffee£84 | 144 | – | – |
| „ 7. | Sold Simpson & Sons, Tea, £125 ; Coffee, £70 ; Cocoa, £27 10..... | 222 | 10 | – |
| „ 9. | Bought of Ramsden & Co., Coffee ..... | 102 | – | – |
| „ 10. | „ Colman & Co., „ ..... | 130 | – | – |
| „ 11. | Recd. of Simpson & Sons, £105 ; Dis. £5.. | 110 | – | – |
| „ 12. | Recd. of Brown & Brooke, £235. Dis. £8 7 6 | 243 | 7 | 6 |
| „ 14. | Cash Sales to date, Tea, £280 ; Coffee, £87 10 –; Cocoa, £90 ..... | 457 | 10 | – |
| „ 14. | Paid Wages in Cash..... | 5 | 2 | 6 |
| „ 14. | Paid into Bank..... | 420 | – | – |
| „ 16. | Pd. Colman & Co., Cheq., £225. Dis. £6 2 6 | 231 | 2 | 6 |
| „ 16. | Paid Cash into Bank ..... | 600 | – | – |
| „ 17. | Bought from Alfred Bailey, Cocoa ..... | 210 | – | – |
| „ 17. | Remitted him Cheque £207 10, Dis. £7 10 | 215 | – | – |
| „ 20. | Sold Carter & Co., Tea, £111 ; Coffee, £65 ; Cocoa, £63 ..... | 239 | – | – |
| „ 20. | Received their Cheque for ..... | 256 | 2 | 6 |
| „ 20. | Paid into Bank..... | 300 | – | – |
| „ 21. | Paid Wilson & Sons, Cheque ..... | 505 | – | – |
| „ 21. | Paid Wages in Cash..... | 5 | – | – |
| „ 23. | Bought of Colman & Co., Coffee ..... | 130 | – | – |
| „ 23. | Bought of Wilson & Sons, Tea ..... | 315 | – | – |

| | | | | |
|---|---|---|---|---|
| Jan. 23. | Bought of Alfred Bailey, Tea ..... | £200 | – | – |
| „ 24. | Paid Alfred Bailey, Cheque £202 ; Dis. £8 | 210 | – | – |
| „ 24. | Sold Simpson & Sons, Tea ..... | 55 | – | – |
| „ 25. | Sold Brown & Brooke, Coffee ..... | 42 | – | – |
| „ 25. | Sold Carter & Co., Coffee ..... | 45 | – | – |
| „ 26. | Smith & Ward became insolvent and paid their creditors a div. of 10s. in the £, I received and paid into the Bank (95*a*) | 30 | – | – |
| „ 26. | Sold Brown & Brooke, Tea ..... | 60 | – | – |
| „ 27. | Received of Carter & Co., £107 ; Dis. £3.. | 110 | – | – |
| „ 27. | Drew cheque for cash ..... | 500 | – | – |
| „ 28. | Bought for Cash at Auction Sales :— Tea, £250 ; Coffee, £157 10s. ; Cocoa, £104 | 511 | 10 | – |
| „ 28. | Paid Wages, Cash ..... | 5 | 7 | 6 |
| „ 31. | Sundry Cash Sales to date :— Tea, £154 ; Coffee, £61 ; Cocoa, £49.. | 264 | – | – |
| „ 31. | Rent *due* Landlord ..... | 10 | – | – |
| „ 31. | Paid Rates ..... | 5 | 10 | – |
| „ 31. | Paid Sundry Trade Expenses ..... | 5 | 2 | 6 |
| „ 31. | Paid into Bank..... | 350 | – | – |

*Stocks :—Tea*, £730 ; *Coffee*, £381 ; *Cocoa*, £440.

**Ex. 30. Trial Balance.**

| | Totals. Dr. | Totals. Cr. | Balances. Dr. | Balances. Cr. |
|---|---|---|---|---|
| | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Cash A/c. | 2245 14 - | 2212 12 6 | 33 1 6 | |
| Bank A/c. | 2722 7 6 | 2158 10 - | 563 17 6 | |
| Capital A/c. | | 2185 - - | | 2185 - - |
| Stock A/c. :— | | | | |
| Tea | 800 - - | | 800 - - | |
| Coffee | 350 - - | | 350 - - | |
| Cocoa | 410 - - | | 410 - - | |
| Purchases A/c. :— | | | | |
| Tea | 1270 - - | | 1270 - - | |
| Coffee | 519 10 - | | 519 10 - | |
| Cocoa | 314 - - | | 314 - - | |
| Sales A/c. :— | | | | |
| Tea | | 1453 - - | | 1453 - - |
| Coffee | | 576 7 6 | | 576 7 6 |
| Cocoa | | 320 - - | | 320 - - |
| Bad Debts A/c. | 30 - - | | 30 - - | |
| Wages A/c. | 220 10 - | | 20 10 - | |
| Discount A/c. | 23 11 8 | 33 12 - | | 10 - 9 |
| Trade Expenses A/c. | 320 12 6 | | 21 12 6 | |
| Colman & Co. | 531 2 6 | 661 2 6 | | 130 - - |
| Wilson & Sons | 608 4 - | 923 4 - | | 315 - - |
| Ramsden & Co. | 127 15 6 | 229 15 6 | | 102 - - |
| Alfred Bailey | 425 - - | 625 - - | | 200 - - |
| Landlord | | 10 - - | | 10 - - |
| Brown & Brooke | 651 8 9 | 405 8 9 | 246 - - | |
| Simpson & Sons | 661 12 6 | 384 2 6 | 277 10 - | |
| Carter & Co. | 538 2 3 | 366 2 6 | 171 19 9 | |
| Bruce & Co. | 274 7 - | | 274 7 - | |
| Smith & Ward | 60 - - | 60 - - | - - - | |
| £ | 12603 17 9 | 12603 17 9 | 5301 8 3 | 5301 8 3 |

**Practical Exercise 31.** (*Tabular.*)

Jackson Bros. (Robert and John) carry on business as Tobacco Merchants. Three-fifths of profits to Robert, two-fifths to John. *Assets* :—Cash, £20. Bank, £2600 9s. 6d. Furniture & Fittings, £380. Tobacco, £700. Cigars, £510. Cigarettes, £263. Edward Wade, £212 12s. 6d. Thos. Elliott, £113. Joe Parson, £128 6s. 2d. Alb. Kershaw, £50. Hy. Hirst, £300. *Liabilities* :—Ogden & Co., £190. Bell & Sons, £250 9s. 6d. Wills & Co., £800. Hignett & Co., £505 18s. 8d. Martin Bros., £606. Capital :—Robert Jackson, £1755. John Jackson, £1170. 1st October, 1907.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Oct. | 1. | Sold Edward Wade :—Tobacco £20 6 4 | | | | | |
| | | Cigars..£50 10s. ; Cigarettes.. 15 9 6 | | | 86 | 5 | 10 |
| ,, | 1. | Recd. from him cheque, £202. Dis. 10 12 6 | | | 212 | 12 | 6 |
| ,, | 2. | Paid Cash for Stationery (Trade Exs.) ... | | | 5 | 7 | 3 |
| ,, | 2. | Recd. from Henry Hirst, cheque on A/c. | | | 200 | – | – |
| ,, | 2. | Paid cheques into Bank ..... | | | 402 | – | |
| ,, | 4. | Bot. of Hignett & Co. : Tobacco £42 10 6 | | | | | |
| | | Cigars....£96 ; Cigarettes .. 19 5 4 | | | 157 | 15 | 10 |
| ,, | 4. | Paid them cheq., £480 12. Dis. £25 6 8.. | | | 505 | 18 | 8 |
| ,, | 5. | Paid Wills & Co., cheque on A/c. ..... | | | 400 | – | – |
| ,, | 5. | Sold Joe Parson : Tobacco.....£30 8 – | | | | | |
| | | Cigars..£80 6 ; Cigarettes .. 20 10 — | | | 131 | 4 | – |
| ,, | 6. | Recd. from him Cheque £121 18. Discount | | | 6 | 8 | 2 |
| | | Paid cheque into Bank ..... | | | 121 | 18 | – |
| ,, | 7. | Invoiced to Albert Kershaw, Cigars ..... | | | 28 | 10 | – |
| ,, | 7. | Received cheque from him ..... | | | 50 | – | – |
| ,, | 8. | Bought Cigars from Martin Bros. ..... | | | 150 | 10 | – |
| ,, | 8. | Paid them cheque £285. Dis. £15 ..... | | | 300 | – | – |
| ,, | 8. | Received cheque from Joe Parson on A/c. | | | 43 | – | – |
| ,, | 8. | Pd. Ogden & Co., cheque £180 10. Dis. £9 10 | | | 190 | – | – |
| ,, | 9. | Sold Cigarettes to Thomas Elliott..... | | | 18 | – | – |
| ,, | 9. | Paid into Bank..... | | | 93 | – | – |
| ,, | 9. | Sold to Henry Hirst :—Tobacco £63 8 6 | | | | | |
| | | Cigars..£46 10 ; Cigarettes.. 21 3 — | | | 131 | 1 | 6 |
| ,, | 9. | Paid Wages in Cash..... | | | 8 | 10 | – |
| ,, | 11. | Edward Wade paid cheque on A/c. ..... | | | 50 | – | – |
| ,, | 11. | Endorsed Wade's cheque and sent it to Bell | | | | | |
| | | & Sons (66*b*) ..... | | | 50 | – | – |
| ,, | 11. | Bought of Ogden & Co. : Tobacco £130 – – | | | | | |
| | | Cigars..£160 – – ; Cigarettes 32 – – — | | | 322 | – | – |
| ,, | 12. | Parson's chq. returned by Bank dishonoured | | | | | |
| | | (*N.B. at the end of the Exercise*) ..... | | | 43 | – | – |
| ,, | 14. | Sent to Thomas Elliott : Tobacco £89 6 6 | | | | | |
| | | Cigars..£113 4 6 ; Cigarettes.. 45 7 — | | | 247 | 18 | – |
| ,, | 16. | Withdrew from Bank ..... | | | 20 | – | – |
| ,, | 16. | Paid Wages in Cash..... | | | 8 | 10 | – |
| ,, | 16. | Paid for Postages (Trade Exs.) ..... | | | 5 | – | – |
| ,, | 18. | Bought of Bell & Sons : Tobacco £83 9 4 | | | | | |
| | | Cigars..£54 6 2 ; Cigarettes..£27 8 6 | | | 165 | 4 | – |
| ,, | 18. | Paid them cheque, £238. Dis. £12 9 6.... | | | 250 | 9 | 6 |
| ,, | 20. | Recd. cheque from Henry Hirst ..... | | | 100 | – | – |

| | | | | |
|---|---|---|---|---|
| Oct.20. | Endorsed Hirst's cheque and sent it to Martin Bros. (66*b*) ..... | £100 | – | – |
| „ 21. | Paid Borough Rate in Cash ..... | 11 | 9 | 6 |
| „ 21. | Sold Edward Wade : Tobacco..£53 16 8 Cigars..£48 13 10 ; Cigarettes 27 16 4—130 | 6 | 10 | |
| „ 21. | Recd. from him Chq. £32. Dis. £4 5 10.. | 36 | 5 | 10 |
| „ 22 | Sold Henry Hirst : Tobacco....£68 15 – Cigars, £100 3 – ; Cigarettes.. 28 7 8—197 | 5 | 8 | |
| „ 22. | Recd. from him Chq. £124 10s. Dis.£6 11 6 | 131 | 1 | 6 |
| „ 22. | Paid Cheques into Bank ..... | 156 | 10 | – |
| „ 23. | Drew Cheques for Cash ..... | 20 | – | – |
| „ 23. | Paid Wages in Cash..... | 8 | 10 | – |
| „ 25. | Parson absconded,left no assets; his debt is(74) | 131 | 4 | – |
| „ 25. | Paid Cheque for new Show Case (81) .... | 23 | – | – |
| „ 26. | Bought of Wills & Co. : Tobacco£130 6 – Cigars..£180 4 - ; Cigarettes 63 10 —— | 374 | – | – |
| „ 26. | Paid them Cheque £360. Dis. £40..... | 400 | – | – |
| „ 27. | Bought Cigars from Martin Bros. ..... | 123 | 10 | – |
| „ 27. | Paid them Cheque £275 14. Dis. £30 6 .. | 306 | – | – |
| „ 27. | Paid Cash for Fire Insce. Prem. ..... | 4 | 10 | – |
| „ 28. | Recd. from T.Elliott,Chq.,£124 9. Dis.£6 11 | 131 | – | – |
| „ 28. | Sent Elliott's chq. to Wills&Co. on a/c. (66*b*) | 124 | 9 | – |
| „ 30. | Paid Rent by Cheque ..... | 10 | – | – |
| „ 30. | Partners each withdrew by Chq. £20 (78).. | 40 | – | – |
| „ 30. | Cash Sales—Tobacco .....£19 6 – Cigars..£23 10 – ; Cigarettes 8 4 6— | 51 | – | 6 |
| „ 30 | Paid Wages in Cash..... | 8 | 10 | – |
| „ 30. | Depreciation of Furniture, etc. (82) ..... | 22 | – | – |
| „ 30. | Interest on Capital—Robert Jackson (71) | 7 | 6 | 3 |
| | „ „ John Jackson ..... | 4 | 17 | 6 |
| „ 30. | Bank Interest credited (92) ..... | 8 | 10 | 6 |

*Stocks* :—*Tobacco* £865 ; *Cigars* £928 ; *Cigarettes* £290.

**N.B.—Ex. 31. Oct. 12, Dishonoured Cheque.**—This means that although Parson has forwarded us the cheque, his bankers refuse to pay it. We received it on the 8th, and paid it into our Bank on the 9th. Our Bank now return it to us and Parson owes us the money. Enter on the **Cr.** side of the C.B. **Bank** column "*Oct.* 12. *By J. Parson* (*Dishonoured Cheque*) £43." This will, of course, be posted to the debit of Joe Parson, to whom we shall write demanding the cash.

Take another example : John Smith pays on the 1st March his account of £200 ; after deducting 2½% discount. If the cheque is paid direct into the Bank this transaction would be entered on the **Dr.** side of the Cash Book, thus :—

| | | *Discount.* | *Bank.* |
|---|---|---|---|
| *March* 1. | *To John Smith*.. | £5 – – | £195 – – |

On intimation of the fact that the cheque is **dishonoured** an entry would be made on the **Cr.** side of the Cash Book in the **Bank** column, thus :—

*March* 4. *By John Smith* (*dishonoured cheque*) £195.

This amount would be posted to the debit of Smith's account.

| Ex. 31. Trial Balance. | Totals. Dr. | | | Totals. Cr. | | | Balances. Dr. | | | Balances. Cr. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Cash A/c. | 1036 | 19 | 6 | 986 | 5 | 9 | 50 | 13 | 9 | | | |
| Bank A/c. | 3382 | 8 | - | 2375 | 16 | - | 1006 | 12 | - | | | |
| R. Jackson's Capital A/c. | | | | 1762 | 6 | 3 | | | | 1762 | 6 | 3 |
| R. Jackson's Drawings A/c | 20 | - | - | | | | 20 | - | - | | | |
| J. Jackson's Capital A/c. | | | | 1174 | 17 | 6 | | | | 1174 | 17 | 6 |
| J. Jackson's Drawings A/c | 20 | | - | | | | 20 | | | | | |
| Stock A/c. :— | | | | | | | | | | | | |
| Tobacco | 700 | | - | | | | 700 | | | | | |
| Cigars | 510 | - | | | | | 510 | | - | | | |
| Cigarettes | 263 | - | - | | | | 263 | - | - | | | |
| Purchases A/c. :— | | | | | | | | | | | | |
| Tobacco | 386 | 5 | 10 | | | | 386 | 5 | 10 | | | |
| Cigars | 764 | 10 | 2 | | | | 764 | 10 | 2 | | | |
| Cigarettes | 142 | 8 | 10 | | | | 142 | 8 | 10 | | | |
| Sales A/c. :— | | | | | | | | | | | | |
| Tobacco | | | | 345 | 7 | - | | | | 345 | 7 | - |
| Cigars | | | | 491 | 7 | 4 | | | | 491 | 7 | 4 |
| Cigarettes | | | | 184 | 18 | - | | | | 184 | 18 | - |
| Furniture & Fittings A/c. | 403 | - | - | 22 | - | - | 381 | - | - | | | |
| Bad Debts A/c. | 131 | 4 | - | | | | 131 | 4 | - | | | |
| Wages A/c. | 34 | - | - | | | | 34 | - | - | | | |
| Depreciation A/c. | 22 | - | - | | | | 22 | - | - | | | |
| Interest A/c. | 12 | 3 | 9 | 8 | 10 | 6 | 3 | 13 | 3 | | | |
| Discount A/c. | 34 | 9 | - | 132 | 12 | 2 | | | | 98 | 3 | 2 |
| Trade Expenses A/c. | 36 | 6 | 9 | | | | 36 | 6 | 9 | | | |
| Ogden & Co. | 190 | - | - | 512 | - | - | | | | 322 | - | - |
| Bell & Sons | 300 | 9 | 6 | 415 | 13 | 6 | | | | 115 | 4 | - |
| Wills & Co. | 924 | 9 | - | 1174 | - | - | | | | 249 | 11 | - |
| Hignett & Co. | 505 | 18 | 8 | 663 | 14 | 6 | | | | 157 | 15 | 10 |
| Martin Bros. | 706 | - | - | 880 | - | - | | | | 174 | | - |
| Edward Wade | 429 | 5 | 2 | 298 | 18 | 4 | 130 | 6 | 10 | | | |
| Thomas Elliott | 378 | 18 | - | 131 | - | - | 247 | 18 | - | | | |
| Joe Parson | 302 | 10 | 2 | 302 | 10 | 2 | - | - | - | | | |
| Albert Kershaw | 78 | 10 | - | 50 | - | - | 28 | 10 | - | | | |
| Henry Hirst | 628 | 7 | 2 | 431 | 1 | 6 | 197 | 5 | 8 | | | |
| £ | 12342 | 18 | 6 | 12342 | 18 | 6 | 5075 | 10 | 1 | 5075 | 10 | 1 |

## Practical Exercise 32. (*Tabular.*)

In Jan., 1909, John Wm. Heaps, Edwin Wilson, and Arthur James Bowler entered into partnership under the style or firm of Wilson and Bowler, their respective Capitals of £5000, £500 and £500, being paid into Bank in the name of the firm. On Jan. 1 they purchased the business of Warren & Co., Indigo Merchants, for the sum of £4759 1s. 3d., to be paid at the end of the month. Warrens' books stood as follows— (See par. 79.)

*Assets* :—Premises £3000, Furniture & Fittings £200, Horses, Carts, etc., £350, Stocks of Indigo :—Bengal £1360, Kurpah £1100, Madras £447 12 9. Debtors :—Chas. Slee £110 11, John Holt £64 3, Brooke & Co. £143 9 6, Roberts Bros. £206 10 6, Firth & Jones £18 17 6, Bureau & Co. £83 6. *Liabilities* :—Creditors :—Edwin Bower & Co. £1273 11 6, Koebel & Co. £723 1 6, Jewesbury & Co. £1078 16, Capital £4009 1 3.

(*In journalising these balances be careful to debit Goodwill with £750, and Credit Warren & Co., with* £4759 1 3.)

**Heaps takes one-half of the profits, the other half is divided equally between Wilson & Bowler.—Keep 3 separate a/cs. for Indigo.**

| | | | | |
|---|---|---|---|---|
| Jan. 2. | Drew Cheque for Cash | £20 | – | – |
| ,, 2. | Sold Bengal Indigo for Cash | 8 | 3 | 6 |
| ,, 2. | Invoiced C. Slee, Bengal, £126 8 9 ; Kurpah, £100 ; Madras, £34 3 6 | 260 | 12 | 3 |
| ,, 3. | Paid Cheque for Roll Top Desk (81) | 18 | – | – |
| ,, 4. | Recd. from Chas. Slee, £105. Dis. £5 11.. | 110 | 11 | – |
| ,, 6. | Sold Bureau & Co., Bengal, £46 7 6 ; Kurpah £148 13 4 ; Madras, £50 | 245 | – | 10 |
| ,, 7. | Paid Wages | 15 | – | – |
| | Received from Roberts Bros., £95. Dis. £5 | 100 | – | – |
| | Paid into Bank | 200 | – | – |
| | Bought of Bower & Co., Bengal, £468 10 ; Kurpah, £342 | 810 | 10 | – |
| ,, 9. | Paid them Cheque | 1000 | – | – |
| | Recd. Cheq. of Bureau & Co., £83 ; allowed 6/- | 83 | 6 | – |
| ,, 10. | Paid Cheque into Bank | 83 | – | – |
| | Sold Madras for Cash | 13 | 10 | – |
| | Recd. from Brooke & Co., £136. Dis. £7 9 6 | 143 | 9 | 6 |
| ,, 12. | Paid into Bank | 136 | – | – |
| ,, 13. | Sold Roberts Bros., Bengal, £136 9 6 ; Madras, £123 4 6 | 259 | 14 | – |
| ,, 14. | Bought of Koebel & Co., Madras | 310 | – | – |
| | Paid them Cheque on A/c. | 400 | – | – |
| | Paid Wages | 15 | – | – |
| ,, 16. | Sent Firth & Jones, Kurpah, £83 10 ; Madras £68 17 6 | 152 | 7 | 6 |
| ,, 17. | Received from them Cash, £18. Dis. 17/6 | 18 | 17 | 6 |
| ,, 18. | Paid Cheque for Painting Premises (81) | 20 | – | – |
| | Paid Cash for Gas (Trade Exs.) | 4 | 5 | – |
| ,, 19. | Paid Cheque for Weighing Machine (81) | 15 | – | – |
| | Paid Corn & Fodder A/c. in Cash (Trade Exs.) | 11 | 9 | 6 |
| | Paid for two new Cart Lamps (81) | 1 | – | – |
| | Bought of Jewesbury & Co., Bengal £360 10 ; Kurpah, £228 ; Madras, £190 | 778 | 10 | – |
| ,, 20. | Horse valued at £25 died and carcase sold for (81) | 1 | – | – |
| ,, 20. | Remitted Jewesbury & Co., Cheque on A/c. | 1000 | – | – |
| | Withdrew from Bank | 20 | – | – |
| | Paid Cheque for New Horse (81) | 40 | – | – |
| | E. Wilson drew Cheq. for private purposes (78) | 50 | – | – |
| ,, 21. | Sold J. Holt :—Kurpah, £84 ; Bengal, £100 ; Madras, £98 16 | 282 | 16 | – |
| | Paid Wages | 15 | – | – |
| ,, 23. | Sold Brooke & Co. : Kurpah, £108 18 ; Bengal £156 ; Madras, £106 11 | 371 | 9 | – |
| ,, 24. | Recd. from J. Holt, cheq. and paid into Bank | 150 | – | – |
| | Paid Fire Insurance Premium, Cash | 4 | 5 | – |
| ,, 26. | Bought of Koebel & Co., Madras | 278 | – | – |
| ,, 27. | Remitted them Cheque | 323 | 1 | 6 |

| | | | | |
|---|---|---|---|---|
| Jan. 28. | Roberts Bros., compounded with their Crs. for 13/4 in the £, recd. Cheq., and paid it into Bank to-day (95*a*) ..... | £244 | 3 | – |
| ,, 28. | Paid Borough Rate by Cheque ..... | 27 | – | – |
| | Paid Rly. Co. Carriage A/c. by Cheque.... | 13 | – | – |
| | Drew Cheque for Wages ..... | 15 | – | – |
| ,, 31. | Charge Depreciation on Premises (82) .... | 10 | – | – |
| | ,, ,, Furniture, etc. .. | 1 | 10 | – |
| | ,, ,, Horses, etc..... | 6 | – | – |
| | ,, ,, Goodwill ..... | 25 | – | – |
| | Paid Warren & Co., Cheque .....4759 | 1 | 3 | |
| | Int. on Cap., John Wm. Heaps (71) ..... | 20 | 16 | 8 |
| | ,, ,, E. Wilson & A. J. Bowler, each | 2 | 1 | 8 |
| | Interest on withdrawal, Edwin Wilson (78) | – | 1 | 8 |
| | Due to E. Wilson & A. J. Bowler for salary each ..... | 13 | – | – |

*Stocks of Indigo : Bengal* £1765, *Kurpah* £1324, *Madras* £810.

**Ex. 32. Trial Balance.**

| | Totals. Dr. | | | Totals. Cr. | | | Balances. Dr. | | | Balances. Cr. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Cash A/c. | 499 | 13 | 6 | 484 | 19 | 6 | 14 | 14 | - | | | |
| Bank A/c. | 6813 | 8 | - | 7720 | 2 | 9 | | | | 906 | 19 | 9 |
| J. W. Heap's Capital A/c. | | | | 5020 | 16 | 8 | | | | 5020 | 16 | 8 |
| E. Wilson's Capital A/c. | | | | 515 | 1 | 8 | | | | 515 | 1 | 8 |
| E. Wilson's Drawings A/c. | 50 | 1 | 8 | | | | 50 | 1 | 8 | | | |
| A. J. Bowler's Capital A/c. | | | | 515 | 1 | 8 | | | | 515 | 1 | 8 |
| Stock A/c. :— | | | | | | | | | | | | |
| Bengal | 1360 | - | - | | | | 1360 | - | - | | | |
| Kurpah | 1100 | - | - | | | | 1100 | - | - | | | |
| Madras | 447 | 12 | 9 | | | | 447 | 12 | 9 | | | |
| Purchases A/c. :— | | | | | | | | | | | | |
| Bengal | 829 | - | - | | | | 829 | - | - | | | |
| Kurpah | 570 | - | - | | | | 570 | - | - | | | |
| Madras | 778 | - | - | | | | 778 | - | - | | | |
| Sales A/c. :— | | | | | | | | | | | | |
| Bengal | | | | 573 | 9 | 3 | | | | 573 | 9 | 3 |
| Kurpah | | | | 525 | 1 | 4 | | | | 525 | 1 | 4 |
| Madras | | | | 495 | 2 | 6 | | | | 495 | 2 | 6 |
| Premises A/c. | 3000 | - | - | 10 | - | - | 2990 | - | - | | | |
| Furniture & Fittings A/c. | 233 | - | - | 1 | 10 | - | 231 | 10 | - | | | |
| Horses, Carts, &c., A/c. | 391 | - | - | 31 | - | - | 360 | - | - | | | |
| Goodwill A/c. | 750 | - | - | 25 | - | - | 725 | - | - | | | |
| Bad Debts A/c. | 122 | 1 | 6 | | | | 122 | 1 | 6 | | | |
| Wages A/c. | 60 | - | - | | | | 60 | - | - | | | |
| Depreciation A/c. | 42 | 10 | - | | | | 42 | 10 | - | | | |
| Partners' Salaries A/c. | 26 | - | - | | | | 26 | - | - | | | |
| Carriage A/c. | 13 | - | - | | | | 13 | - | - | | | |
| Interest A/c. | 25 | - | - | - | 1 | 8 | 24 | 18 | 4 | | | |
| Discount A/c. | 19 | 4 | - | | | | 19 | 4 | - | | | |
| Trade Expenses A/c. | 66 | 19 | 6 | | | | 66 | 19 | 6 | | | |
| Dead Horse A/c. | 24 | - | - | | | | 24 | - | - | | | |
| Edwin Bower & Co. | 1000 | - | - | 2084 | 1 | 6 | | | | 1084 | 1 | 6 |
| Koebel & Co. | 723 | 1 | 6 | 1311 | 1 | 6 | | | | 588 | - | - |
| Jewesbury & Co. | 1000 | - | - | 1857 | 6 | - | | | | 857 | 6 | - |
| Warren & Co. | 4759 | 1 | 3 | 4759 | 1 | 3 | | | | - | - | - |
| Charles Slee | 371 | 3 | 3 | 110 | 11 | - | 260 | 12 | 3 | | | |
| John Holt | 346 | 19 | - | 150 | - | - | 196 | 19 | - | | | |
| Bureau & Co. | 328 | 6 | 10 | 83 | 6 | - | 245 | - | 10 | | | |
| Brooke & Co. | 514 | 18 | 6 | 143 | 9 | 6 | 371 | 9 | - | | | |
| Roberts Bros. | 466 | 4 | 6 | 466 | 4 | 6 | - | - | - | | | |
| Firth & Jones | 171 | 5 | - | 18 | 17 | 6 | 152 | 7 | 6 | | | |
| £ | 26901 | 5 | 9 | 26901 | 5 | 9 | 11081 | - | 4 | 11081 | - | 4 |

The **Examinations** of the **ROYAL SOCIETY of ARTS** are held about the end of March and May each year, and the results are announced about August. The entrance fee for the **Elementary** or **Stage I.** Examination is 2/6. An Exercise is set involving the use of the Subsidiary books, posting to the Ledger, and extracting a Trial Balance. Questions must be answered relative to simple business terms and abbreviations, and on the use of business documents, such as Invoices, Statements of Account, Bank Notes, Cheques, Bills of Exchange, and Receipts; Order, Postage, Petty Cash, Cash, Stock, Purchases, and Sales Books, and Ledgers. To gain a Certificate 50% of the total marks must be obtained. Although the requirements, according to the Syllabus appear reasonable, candidates will notice from a perusal of the following Exam. Papers that the area covered by the various questions is a very wide one, and presents many difficulties. The Examiner in his Reports complains, on the one hand, that students do not display an adequate knowledge of *practical* methods, while, on the other hand, he himself requires from candidates such *unpractical* methods as the entering of transactions *direct* into the Ledger, without the use of subsidiary books. The Society's Syllabus, containing the regulations and List of Centres, is issued in September each year, and a copy may be had from the *Secretary, John Street, Adelphi, London, W.C.* 2, for 3d. post free.

### Ex. 33. Royal Society of Arts. (*Stage* 1., 1901.)

**1.** Explain the phrase "Bringing down a balance." **2.** Define the term "Voucher." When must a voucher be stamped; and with what value of stamp? **3.** Sketch a form of Postage Book; enter in it an amount of Cash received by the Postage Clerk from the Cashier; and make six entries of letters and parcels dispatched. **4.** State some headings under which you would analyse your Petty Cash payments for a month. What would be done with the analysis when made? What ought the total of the analysis to agree with? **5.** What is the difference between a cheque made payable to "bearer" and one made payable to "order"? What is the effect of crossing a cheque?

**Exercise.** On 1st Jan., 1901, the Midland Railway Co. were creditors of Messrs. Smith & Lloyd for £15; Poor Rate Authorities for £4 10s.; and Jas. Robinson for £60; while John Jones was a debtor for £40 and Abel Lewis for £60. On the same date Wm. Smith's Cap. A/c. was in credit of £1000, and Tom Lloyd's £1500, in each case the share of profit for 1900 having been previously credited. Open Led. A/cs., and post the following cash transactions. Balance these a/cs. on 31st Jan., 1901, and bring down balances.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Jan. | 1. | To John Jones for goods supplied | £30 | 2 | 6 | | |
| ,, | 2. | By Midland Railway Co. (carriage) | | | | £10 | 17 6 |
| ,, | 5. | To Wm. Smith (Capital A/c.) ... | 200 | – | – | | |
| ,, | 10. | By Poor Rate (Kensington Borough) | | | | 4 | 10 – |

| | | | | | |
|---|---|---|---|---|---|
| Jan. 15. | By Tom Lloyd (Drawing A/c.) .. | | | £10 – – |
| ,, 20. | By Do. (share of profit for 1900) | | | 250 12 6 |
| ,, 25. | To Abel Lewis for goods supplied–£45 | 5 | – | |
| ,, 31. | By Jas. Robinson for goods purchased | | | 50 7 6 |

**Royal Society of Arts.** (*Stage* 1., 1902.)

**1.** What do I mean when I tell Jones that he "may draw on me at 3 months"? **2.** Give the ruling of a Petty Cash Book, and enter an amount of £5 received by the Cashier on 1st Jan., 1902, and the details of five payments made by him during the rest of the week ended 4th Jan., 1902. **3.** Explain the abbreviations :—"E. & O.E.," "F.O.B.," "Per Pro." **4.** On 15th March, 1902, John Jones sent Wm. Smith a cheque for £50, drawn on the New World Bank, Ltd. Draw this cheque so as to afford the best security, should it be lost or stolen. **5.** Give your reasons why you would prefer a £5 Bank Note to a £5 cheque; and why £5 in gold to either.

**Exercise.** The following items appear in W. Robinson's Books in the month of Jan., 1902. Post up the Ledger, opening new a/cs. where necessary and bring down the balances of Ledger and Cash Book, as on 31st Jan., 1902. Ledger Balances 1st Jan., 1902 :—

| | | | |
|---|---|---|---|
| Dr. Stock in Trade ..... | £569 | Dr. Cash ..... | £15 |
| ,, Tom Turnbull ..... | 254 | Cr. W. Robinson, Cap. .. | 2000 |
| ,, Safe Bank Co., Ltd. | 1039 | ,, Owen Williams ..... | 323 |
| ,, Furniture & Fittings | 650 | ,, Morgan, Lewis & Co. | 204 |

**Dr.** **Cash Book** (as kept by Robinson.) **Cr.**

| 1902 | | Dis. | Bank. | | 1902 | | Dis. | Bank. | |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Balance..... | | £1039 | £1054 | Jan 15 | By Owen Williams..... | £3 | £320 | £320 |
| ,, 20 | ,, T. Turnbull | 4 | 250 | 250 | ,, 27 | ,, Bankers..... | | 50 | |
| ,, 30 | ,, W. Smith (loan)..... | | 300 | 300 | ,, 31 | ,, Morgan, Lewis & Co. | 4 | 200 | 200 |
| | | | | | ,, 31 | ,, Robinson (drawings) | | | 25 |
| | | | | | | ,, Wages ..... | | | 30 |
| | | | | | | ,, Warehouse Exs. ..... | | | 5 |

1902. *Purchases Book.*

Jan. 4th. Owen Williams—350 Bales at 31s. 6d. £551 5

1902. *Sales Book.*

Jan. 5th. Tom Turnbull—220 Bales at 38s. ..... £418 –

,, 9th. R. Butcher—130 Bales at 37s. 6d. ..... £243 15

**Royal Society of Arts.** (*Stage* 1., 1903.)

**1.** Explain the terms :—"Bank Draft," "Bill of Exchange," "Bad Debt," "Bankrupt." **2.** What is a "Bank Pass Book"? Submit a few imaginary entries to explain how such books are kept. **3.** Explain the meaning of the following phrases at the head of a trader's invoice :—"5% dis. for prompt." "$2\frac{1}{2}$% dis. in a month." **4.** What is a "post dated cheque"? Of what use

is it ? 5. Write up the following items in Petty Cash Book and bring down the balance as on 6th Jan., 1903 :—Jan. 1, Received from Head Cashier, £5 ; Jan. 2, Purchased Postage Stamps, 30s. ; Jan. 3, Paid 'bus fares, 3d. ; Jan. 4, Received cash for sale of waste paper, 4s. 10d. ; Jan. 6, Bought string, 1s., and brown paper, 1s. 8d.

**Exercise.** Wm. Smith began 1902 with the following balances :

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash ..... | Dr. | £100 | | John Green ..... | Dr. | £120 | |
| Town Bank, Ltd. ... | „ | 385 | | W. Smith, Capital ... | Cr. | 1000 | |
| Stock in Trade ..... | „ | 520 | | James Ball..... | „ | 125 | |
| Purchased Goods from— : | | | | Sold Goods to :— | | | |
| James Ball .....£110 | – | – | | John Green ..... £58 | 5 | 6 | |
| William Paul .... 48 | – | – | | Edward Parker .. 21 | 8 | 9 | |
| Edward Parker .. 15 | 14 | 11 | | Wm. Peek ..... 121 | – | – | |
| John Robinson... 21 | 5 | 6 | | John Robinson... 2 | 7 | 5 | |
| Returned to Wm. Paul 8 | 7 | 6 | | Returnd. by Wm. Peek 6 | 10 | 6 | |

Post the above items ; opening, where necessary, new a/cs. Balance and rule off these Ledger A/cs., and bring down the balances.

**Royal Society of Arts.** (*Stage* 1, 1904.)

**1.** Explain the terms :—"Dividend," "Discount," "Double-entry," "Distraint," "Drawings." **2.** What is an Invoice ? What would you do with Invoices received by a merchant ? How would you record their particulars in his books ? Give an example. **3.** Sketch a form of Cash Book, which you would recommend to be used by a merchant who has a Banking A/c. ; and from whose purchases and sales cash discounts are allowed upon settlement. Enter six debit and six credit transactions. **4.** A tea dealer sells Tea, Coffee, and Sugar to sundry persons on credit. How would you record these sales in his books ? Give an example. **5.** What is the essential difference between a Cheque and a Bill of Exchange ; and upon what principle are stamp duties levied upon each ?

**Exercise.** On 1st Jan., 1904, John Jones had £500 as his Capital in business while Jas. Green was his debtor for £350, and he owed Wm. Paul £400. He had £450 at his bankers, and £100 in his safe. Open the necessary Led. A/cs., post direct to the Ledger :—Jan. 1, Sold Goods to Wm. Paul, £350 ; Jan. 4, Purchased goods from J. Robinson, £150 ; Jan. 7, Purchased goods from Wm. White, £220 ; Jan. 10, Purchased goods from P. Frean, £140 ; Jan. 15, Sold goods to Charles Carter, £340 ; Jan. 20, Sold goods to J. Farlow, £140 ; Jan. 25, Purchased goods from Wm. Paul, £480 ; Jan. 31, Returned goods to J. Robinson, £50.

**Royal Society of Arts.** (*Stage* 1., 1905.)

**1.** Explain the terms :—"Free on rails," "Bearer cheque," "Bill of Sale," "Book Debt," "Voucher." **2.** George Jones buys cotton, value £80, from Robert Brown, and in order to

**secure a special discount of 5%, pays prompt cash. Make the** entries in George Jones' Cash Book necessary to record this transaction. **3.** What is a Bill of Exchange ? Explain the use of a Bills Payable Book. **4.** John Jones desires to remit £100 to his son, who is at Singapore. What would you suggest as the best method of effecting this ? Give your reasons. **5.** Sketch a form of Petty Cash Book which you would recommend ; enter therein the following items and balance it as on Dec. 6, 1904 :— Dec. 1, Balance in hand, £4 13s. 2d. ; Dec. 2, Paid office housekeeper, 15s. 2d. ; Dec. 3, Purchased Stamps, £3 15s. 6d. ; Dec. 4, Received from Cashier, £10 ; Dec. 5, Received from sale of old desk, 10s. 6d. ; Dec. 6, Paid fares 6d., sundries 8d., gum 6d., telegram 8d., total 2s. 4d.

**Exercise.** Geo. Smith having purchased from Wm. Watson, wine merchant, the assets, including the goodwill of his business, for which he gave £3000 for stocks of wines and spirits, £500 for utensils, bottles and appliances, and £1000 for goodwill, commenced business on Dec. 1st, 1904. He opened an a/c. at the Secure Bank, Ltd., and paid in £2000, representing his working capital. Open the necessary Ledger A/cs. to record the above, and post the following transactions direct to the Ledger. Balance the a/cs. as on Dec. 9, 1904, and bring down the balances :—

Dec. 2. Bought from R. French 3 pipes of port, at £85 per pipe.
,, 3. Bought from C. Clare 50 doz. of sherry, at 90s. per doz.
,, 5. Bought from R. Frost, a bottle-washing machine for £18 10s.
,, 6. Sold to Grand Hotel Co., Ltd., 10 doz. sherry at 108s. per doz.
,, 7. Bought from G. Keen 10 doz. of champagne at 100s. per doz.
,, 8. Sold to R. White 1 pipe of port for £95.
,, 9. Sold to R. Frost 2 doz. of champagne at 110s. per doz.

**Royal Society of Arts.** (*Stage* 1., 1906.)

**1.** Briefly explain the following terms and abbreviations :— "Credit Note," "Asset," "Personal Ledger," "Contra A/c.," "E & O. E.," "N.B." **2.** What is the use of a Stock Book ? What is meant by "taking stock" ? On what principle ought articles in stock to be priced ? **3.** What is the difference between a "Private Ledger" and a "General Ledger" ? Into what is the General Ledger, for convenience, generally divided ? Give the headings of two a/cs. which would appear in each ledger respectively. **4.** What is a "Columnar Petty Cash Cook" ? Give a ruling of such a book, and make one debit and four credit entries therein. **5.** Write up William Brown's Cap. A/c. from the following items :—July 1, 1905, Balance of capital at this date £800. Sept. 30, Paid in £400. Nov. 30, withdrew £720. Dec. 31, Int. on Cap. at 5% per ann. Dec. 31, Net loss for the half year £200. Bring down the balance.

**Exercise.** On 1 Dec., 1905, H. Lloyd commenced business with a capital of £500 in Cash. On this date he paid the following sums :—Shop fittings, £50 purchase of goods, £200 ; one

quarter's rent in advance, £20. Open Ledger a/cs. to record the above ; post the following transactions direct to the Ledger ; balance the a/cs. as on 31st Dec., 1905, and bring down the balances :—Dec. 2, Sold goods to W. Hunt, £140 ; Dec. 4, Purchased goods from R. Johnson, £20 ; Dec. 11, Purchased goods from H. Hall, £150 ; Dec. 16, Sold goods to E. Jones for cash, £20 ; Dec. 20, Sold goods to W. Silver, £50 ; Dec. 21, Received from W. Hunt cash on a/c., £10 ; Dec. 22, Paid R. Johnson's a/c., less 5% dis.

**Royal Society of Arts.** (*Stage* 1., 1907.)

**1.** What is the difference between an "Invoice" and a "Statement" ? **2.** What do you understand by the signs "Dr." and "Cr." ? **3.** What is the object of "closing a ledger," and how is it effected ? **4.** Explain the "Imprest" system of keeping Petty Cash. Give an example. **5.** Write up an a/c. with your Bankers, recording the following transactions :—Jan. 1, 1907. Balance to your credit at the Bank £3387 5s. 6d. ; Jan. 3. Paid W. Smith, £600 ; Jan. 5. Paid in £218 5s. 7d. ; Jan. 12. Paid J. Brown on a/c. £1000 ; Jan. 19. Paid H. Wilson, £671 3s. 2d. ; Paid J. Brown on a/c. £1000 ; Jan. 26. Paid in £1461 2s. 1d. ; Paid J. Brown (balance), £781 2s. 3d. ; Jan. 28. Paid H. Shepherd, £81 2s. 8d. ; Jan. 31. Paid in £8 10s. 3d. Balance the a/c. and bring down balance.

**Exercise.** J. Cripps commenced business as a coal merchant on 1st Oct., 1906, with the following assets :—Cash £200 ; Plant & Fixtures £60, and Horse & Cart £30. He opened an a/c. with the Union Bank, into which he paid his initial capital and all cash received. During October the following transactions took place :—Oct. 3. Purchased coal from the X. Y. Colliery Co., Ltd., £160 ; 8th. Sold coal to T. Philipps, £20 ; 12th. Sold coal to J. Hall £110 ; 15th. Purchased coal from the X. Y. Colliery Co., Ltd., £360 ; 16th. Received cash from T. Philipps £20 ; 17th. Received Cash from J. Hall (on a/c.) £80 ; 24th. Paid cheque to the X. Y. Colliery Co., Ltd., £200. Open Ledger A/cs. and post, direct, the above facts and transactions. Balance these A/cs. as on 31st Oct., 1906, and bring down the balances.

**Royal Society of Arts.** (*Stage* 1., 1908.)

**1.** What is a Voucher ? Briefly describe the system upon which you would arrange vouchers in a business.

**2.** What entries are necessary in my books to record the fact that A. has become my Creditor for Goods supplied to me ?

**3.** In the following account, who owes the £256 5 10, and to whom is it owing :—JOHN JONES in a/c. with WM. SMITH.

| | | |
|---|---|---|
| 1908. Feb. 22. | To Welsh Coal supplied by J. Jones' order to S. McNeil, at Glasgow.. | £256 5 10 |

**4.** Write up a Cash Book recording the following transactions : Balance the account and bring down the balance. 1908. Jan. 1, Balance in hand this day, £217 10s. 1d ; Jan. 3, Paid into Bank, £100 ; Jan. 4, Received from Tom Smith £69 10s., Dis. 10s. 9d. ;

Jan. 7, Received from E. Owen and paid into Bank, £116 1s. 9d.; Jan. 10, Paid one quarter's rent, £30; Paid G. Nash by cheque on Bankers, £151 12s. 10d.; Discount allowed thereon, £4 7s. 2d.

5. On which side of the following accounts should the balance, if any, always be, and why ?—Bills Payable, Bills Receivable, Cash.

**Exercise.** On 1st December, 1907, Charles Dickson commenced business with the following Assets :—Cash at Bank, £500. Cash in hand, £100, and Fixtures, £150. The following transactions took place during December :—Dec. 2nd. Purchased goods of T. Bell, £100. Dec. 3rd. Purchased goods of Black & Co., £80, for cash, and paid him for same. Dec. 9th. Sold to W. Brown goods £50. Dec. 16. Paid T. Bell's a/c. by cheque less 5% discount. Dec. 18th. Sold goods to R. Walters, £10. Dec. 31st. Received of W. Brown cash in settlement of his account, less 2½% discount. Open the necessary Ledger Accounts and post direct the above facts and transactions. Balance these A/cs. as on 31st December, 1907, and bring down the balances.

**Royal Society of Arts.** (*Stage* 1., 1909.)

1. What do you understand by the terms "balance down," "trial balance," and "balance sheet" ? What is the chief difference between the last two ? Does the term "balance down," closing the debit side of an a/c. mean that the a/c. is in credit, or in debit, and why ? 2. Give a form of Cash Book you would recommend as suitable for recording both cash and bank transactions. Start the book with a balance at the Bank, and draw a cheque in favour of "self," the proceeds of which are to be used in making cash payments. Make six further entries on the debit side, paying all receipts into the Bank, and six further entries on the credit side, three being cash payments and three payments by cheque : balance the cash book and carry down the balances. 3. On 27th Feb., 1909, John Jones sold Wm. Smith 3lbs. tea at 1s. 9d., 2lbs. sugar at 6½d., 2 ozs. Jordan almonds at 2s. 6d. a lb., 3 tins potted salmon at 5s. 4d. the doz. Make Invoice.

4. On 3rd April, 1908, Thos. Fisher sold Geo. Kent goods value £30 15s. 0d.; on 4th May, Kent paid Fisher £20 5s. 0d. on a/c.; on 30th April, Fisher sold Kent £45 10s. 0d. of goods; on 31st May, Kent paid Fisher £32 10s. 0d. on a/c.; on 4th June, Kent returned to Fisher £5 10s. 0d. goods (not being up to sample); on 12th June, Fisher sold Kent £42 8s. 0d. of goods; on 30th June, Kent paid Fisher the balance owing upon the transactions of 3rd and 30th April after deducting 2½% discount together with a further amount of £20 on a/c. As on 30th June, Fisher sent a three months' statement to Kent. Draw the statement so sent. 5. On 31st May, 1908, Geo. Kent paid Thos. Fisher £32 10s. 0d. He paid this by cheque on the Credit Banking Co., Ltd. Sketch the form of cheque he would use, and "draw" it, making it as secure as you can against loss by theft or mis-chance.

**Exercise.** On 1st Jan., 1908, J. Ferguson started business as a grocer, and paid £200 into the Union Bank by way of Capital.

On that day goods were delivered by McDonald & Co., to him which he had previously ordered to the value of £50, and for which he paid by cheque, deducting 5% discount for cash. The same day he made "cash sales" amounting to £4 6s. 2d., which he paid into the Bank. On 2nd Jan., he drew and cashed a cheque for £5 for petty cash purposes and purchased for cash 5s. worth of stamps, and 15s. worth of stationery. The cash sales on this day amounted to £1 7s. 7d., which he paid into the Bank, and he also sold goods on credit to Mrs. Murphy, value £2 4s. 6d., and to Mr. Graham, value £1 4s. 4d. On 3rd Jan. he bought further goods from McDonald & Co., value £25 16s. 10d., but this time the purchase was on "credit terms." On 4th Jan., Mrs. Murphy paid £1 on a/c. of the goods supplied to her, and this, together with the Cash Sales for two days, £4 3s. 7d., was paid into Bank. On the same day he supplied goods value £1 16s. 10d., on credit to Mr. Graham, who, at the time of ordering, paid for the goods supplied on 2nd Jan., less 4s. 4d. discount, and this was paid to the Bank. On 5th Jan. he bought goods on credit from W. McNab & Sons, value £14 12s. 8d., and paid McDonald & Co.'s a/c., less 5% discount by cheque. Open Ledger a/cs. and post direct the above transactions, balance the a/cs., and bring down the balances.

**Royal Society of Arts.** (*Stage* 1., 1910.)

**1.** Give three "business terms" and three "business abbreviations" and explain the meaning of each. **2.** When goods are sent to a customer, what is said to be sent with them (or by an early post) recording the transaction? Give an example. How does this document differ from a "statement"?

**3.** On 4th Jan., 1909, John Brown purchased goods of Thomas Smith to the amount of £252 4s. 3d. On 8th Jan., Brown returned £51 2s. 5d. of these goods as being faulty, and sent Smith £50 on a/c. On 15th Jan., Brown purchased of Smith, £72 5s. 8d. of goods, and paid him £60 on a/c. On 31st Jan., Smith sent Brown a statement showing the balance owing to Smith, and this Brown paid to him on 1st Feb. How much was this balance? Give a copy of Brown's a/c. in Smith's Ledger recording the above transactions. **4.** Explain the meaning of the word "discount." In what books of a trader do records of discounts usually appear?

**5.** Write up a Bank A/c. recording the following:—1st Dec., 1909, balance at my bank, £3215 14s. 1d. 2nd Dec., drew cheque for self, £25. 4th Dec., paid in £9634, received from W. Porter. 6th Dec. drew cheque for T. Kerr, £161 10s. 6th Dec., E. Milner paid into my Bank A/c., £864. 10th Dec., drew cheque for J. Coleman, £10000. 15th Dec., drew cheque for Black & White, £241 6s. 3d. 24th Dec., drew cheque £50, for rent, and paid into Bank £91 6s. 8d. received from H. Jackson. 31st Dec., drew cheque £25, for self. Paid into Bank, £51, received from Duff Bros. Interest allowed on the a/c. by the Bank, £18 9s. 3d., and commission charged, £1 2s. 3d. Balance the a/c. and bring down balance.

**Exercise.** James Cripps started business as a Coal Merchant on 1st July, 1909, paying (as his capital) to his Bankers, £250 ; purchasing, for £50, a horse and van from Timothy Toogood, and 60 tons of coal at 11s. 6d. from the Stiff Colliery Co., Ltd. On 2nd July he sold 15 cwt. of coal at 1s. per cwt. for cash.

On 3rd July he sold 12 cwt. of coal at 11d. per cwt. for cash, and 5 tons at 19s. a ton to Miss Graham on credit. He paid the Stiff Colliery Co., Ltd. (by cheque) £25 on a/c., and drew a cheque for £1 for Petty Cash.

On 4th July he sold 14 cwt. of coal at 1s. 1d. per cwt. for cash, and 2 tons at 19s. 6d. per ton to Mrs. Smith on credit. He received and paid into his Bank a cheque from Miss Graham, in payment of her account, less 10s. allowed for short weight.

On 5th July he sold 20 tons of coal at 18s. 6d. a ton to A. Evans, and received from him £10 on a/c., which he paid into his Bank. He sent the Stiff Colliery Co., Ltd., a cheque in settlement of their a/c., less 2½% dis. On 6th July he paid T. Toogood £50 by cheque.

Open Ledger A/cs. and post the above *direct* thereto. Balance the a/cs. and bring down the balances.

**Royal Society of Arts.** (*Stage* 1., 1911.)

**1.** Explain the meaning of the following terms and abbreviations :—Gross profit, Solvency, Drawings, B/E., f.o.r., dis.

**2.** The cheque set out below was sent to Colston & Co. by post :—

No. D. 39654. London, 20*th January*, 1911.
Lloyd's Bank, Limited.
Pay *Messrs. Colston & Co.*.....or order
*Twenty-eight pounds ten shillings and sixpence.*
£28 10s. 6d. *Robert Radford & Co.*

What are cheques of this kind called ? How could Radford & Co. have made the cheque more difficult to cash in the event of its being stolen ? and explain why. Who are the payees of the cheque, and who are the drawers ?

**3.** Sketch the " three column " Cash Book of George Griffiths, write in it the following, and balance it on the 7th Jan., 1911 :—

| | | | | | |
|---|---|---|---|---|---|
| Jan. | 2. | Cash in hand £4 18s. 6d., at bank..... | £348 | 12 | 10 |
| ,, | 3. | Drew from the Bank for office cash ..... | 30 | – | – |
| ,, | 4. | Paid Great Eastern Railway, in cash ..... | 1 | 12 | 6 |
| | | Paid Peter Jones by cheque £28 4 1, Dis... | 1 | 15 | 11 |
| ,, | 5. | Received from B. Gregory & Co., Ltd., cheque in settlement (less 15s. 6d. dis.), which was paid into Bank ..... | 49 | 4 | 6 |
| ,, | 6. | Paid from office cash, wages ..... | 8 | 12 | 6 |
| | | Cashed cheq. for customer ; paid it into Bank | 12 | – | – |
| ,, | 7. | Received in cash from B. Bolton ..... | 1 | 2 | 6 |

**4.** Henry Holcombe & Co. purchased four bales of Oxford shirtings from Charles Cobourne, of Bradford, on 2nd Feb., 1911, at £16 per bale. On delivery of these goods one bale was found to be damaged; it was therefore returned to C. Cobourne on 4th Feb. Give the ruling of the books in which Holcombe & Co. would record these transactions, and make the necessary entries. **5.** George Jennings, a trader, upon commencing business, purchased a Cash Book, a Journal, and a Ledger. He gave his clerk instructions that all cash transactions were to be entered in the Cash Book, and that all his credit sales and purchases were to be passed through the Journal. If you do not approve of G. Jennings' action, what course would you recommend.

**Exercise.** On 2nd Jan., 1911, Charles Baines commenced business by paying his capital of £500 into the Union Bank, Ltd. Transactions for the month :—

| | | | | |
|---|---|---|---|---|
| Jan. 3. | Purchased cottons on credit from P. Burford | £84 | 10 | 1 |
| | Purchased silk from W. Walker & Co. on credit | 74 | 1 | 10 |
| „ 4. | Bought of B. Burns, velvet on credit, less 10% trade discount | 102 | – | – |
| | Drew from Bank for Petty Cash purposes | 10 | – | – |
| „ 5. | Sold Richd. Leicester & Co., silk £62 10s., velvet | 75 | 8 | – |
| „ 6. | Purchased postage stamps out of Petty Cash | – | 5 | – |
| | Paid trade expenses, by cheque | 8 | 6 | 2 |
| „ 7. | Received from R. Leicester & Co., cheque for the amount of their a/c., less 5% cash dis. | | | |
| „ 10. | Paid salaries, by cheque | 10 | – | – |
| „ 18. | Purchased on credit, from R. Hampton, tweed | 65 | 8 | 6 |
| „ 20. | Returned tweed, damaged, to R. Hampton | 6 | 10 | – |
| „ 21. | Paid Paul Burford on account | 50 | – | – |

Open ledger a/cs., and post. Balance the a/cs., and draw T.B.

**Royal Society of Arts.** (*Stage* 1., 1912.)

**1.** Explain the meaning of the following :—Account Current, Credit Note, Rebate, F.O.B., C.I.F., A/S.

**2.** How many parties are there to an "order" cheque, and who are they? Is it necessary to stamp a cheque; if so, what is the value of the stamp required, and how does it differ from the stamp necessary for a Bill of Exchange?

**3.** Prepare a Columnar Petty Cash Book upon the Imprest System, record the undermentioned transactions, and bring down the balance. 1911. Dec. 31, Cash in hand, £5 3s. 7d.; 1912. Jan. 1, Recd. amount necessary to make up the imprest to £10; Jan. 2, Bought postage stamps, £1 10s., Paid Carr. on Parcel, 3s. 7d.; Jan. 3, Paid travelling expenses, 11s. 10d.; Jan. 4, Bought packing materials, £1 3s. 6d.; Bought Stationery, 4s. 8d.; Jan. 5, Paid wages to odd man, 6s.; Jan. 6, Bought job line of goods for cash from H. Saunders, £1 15s.

**4.** William Jones received the following letter from his customer, Robert Brown, on 6th Jan., 1912 :—"I beg to advise you that I have this day paid into your account at the Union Bank the sum of £19 in settlement of my a/c., less 5% discount. Please return for cancellation the 3 months' bill for £20 accepted by me on 29th Dec., 1911." On 7th Jan., the Union Bank advised Jones that his a/c. had been credited with £19 as above. Jones therefore returned the bill for £20 to Brown as requested. Show the entries necessary to record the above transactions in Jones' books.

**5.** To what Ledger A/cs., and on which side, would you expect to find the following transactions posted :—(*a*) Drew cheque for weekly wages £160 ; (*b*) Drew cheque for new printing machine £650 ; (*c*) Received cheque from R. Robinson, in settlement of his a/c. (less 5% discount) £47 10s.

**Exercise.** John Miller commenced business, as a draper, on 3rd July, 1911, with £250 at the Bank, £3 cash in hand, and stock, £300. The Stock had not yet been paid for, having been obtained on credit as follows :—J. Beale & Co. £110, F. Hall & Sons £60, Thomas Fisher £90, and Hugh Jones, Ltd., £40. Miller also possessed Furniture, Fixtures and Fittings valued at £70. Open Miller's Ledger and post, through the subsidiary books, to it, his transactions, as follows :—July 3, Paid cash for stamps, 5/-, and stationery, 6/8 ; Purchased from J. Beale & Co., 120 yds. of flannelette at 4/3 per doz. yds., on credit ; July 4, Purchased from F. Hall & Sons, 600 yds. of shirting (240 yds. at 8/3 per doz. yds., and 360 yds. at 10/9 per doz. yds.), on credit ; July 5, Bought, for Cash, brown paper and string, 15/- ; Banked Cash Sales for the 3rd and 4th July, £27 10s. ; July 6, Banked Cash Sales for the 5th July, £16 5s. ; Paid by cheque, J. Beale & Co. on account, £30 ; Paid by cheque, Hugh Jones A/c., less 2½% dis. ; July 7, Paid by Cash, carriage, 13/6 ; July 8, Sold to Miss H. Hayman, on credit, 10 yds. sheeting at 1/5 per yd., 1 doz. reels of assorted cottons for 2/3, 2 pairs of lace curtains at 16/11 per pair ; July 8, Received credit note from F. Hall & Sons for 8 yds. of shirting at 10/9 per doz. yds., which were damaged in transit and returned to Hall ; Banked Cash Sales for 6th and 7th July, £32 15s. ; Drew and cashed cheque for £10, and paid wages, £7 5s. Balance the a/cs., bring down balances, and extract a T.B.

### Royal Society of Arts. (*Stage* 1., 1913.)

**1.** Explain the meanings of the following terms and abbreviations :—Book Debts, Voucher, Per Cent., R/D., p.a., Net. **2.** Briefly explain the uses of the following commercial documents : (*a*) An Invoice. (*b*) A Statement. (*c*) A Credit Note. Give a specimen form of each document (write two entries), assuming that John Johns is a customer of William Walter & Co., Ltd.

**3.** The following is a statement of a Trader's Credit Sales and Credit Purchases and Returns (Inwards and Outwards). Enter the transactions in the proper books of original entry and show

the totals of each. *No posting to Ledger A/cs. to be done.* 1913. Feb. 3, Bought from F. Grace, 2 doz. Pocket Knives at 4s. 6d. each ; Sold to J. Abel, 1 doz. Photo Frames at 1s. each ; Sold to J. Shrewsbury, 6 doz. Dessert Knives at 20s. per doz., less 5% trade dis. ; Received from B. Briggs, 1 case of Carvers, 25s., returned damaged ; Feb. 4, Bought from G. Mead, 2 doz. Silver Photo Frames at 5s. 6d. each, less 10% trade dis. ; Returned to N. Hurst 1 doz. pairs of Scissors at 18s. per doz., being the wrong size ; Feb. 5, Sold to W. Humphreys, ½ doz. Razors at 3s. each, and charged him carriage on same, 6d. ; Sold to L. Townsend, 2 cases of Fish Knives and Forks at £2 per case ; Returned to F. Grace, ½ doz. Pocket Knives at 4s. 6d. each., being of poor quality ; Feb. 6, Bought from B. Lilley, 2 doz. Glass Match Stands, Silver Mounted, at 6s. each ; J. Abel returned ½ doz. Photo Frames at 1s. each, not ordered ; Feb. 7, Sold to J. Hearne 3 doz. Pocket Knives at 30s. per doz., less 5% trade dis. ; Sold to V. Gunn, ½ doz. Glass Match Stands, Silver Mounted, at 8s. 3d. each ; Feb. 8, Bought from L. Spooner, 6 cases of Fish Knives and Forks at £3 per case, less 10% trade dis.

**4.** On Jan. 1, 1913, Middlemiss & Turnbull, London, sent to S. Macgregor, Manchester, for acceptance, a Bill of Exchange for £100, dated Jan. 3, 1913, and payable 3 months after date. S. Macgregor accepted the draft and made it payable at his Bankers, the Staple & Stedfast Banking Co., Ltd., Stockport. Show the form of the Bill as it would appear when returned to Middlemiss & Turnbull, and state who is the Drawer and who the Drawee, and give the date when the Bill will mature.

**5.** A Firm's book-keeper had, during the month of Jan., 1913, entered Returns Inwards and Outwards in the Purchases Book and Sales Book respectively, and the monthly totals of each had been posted to the Purchases and Sales A/c. in the Ledger. What entries should be put through the books to rectify these mistakes, assuming that the Returns Inwards for the month amounted to £40, and the Returns Outwards to £30 ?

**Exercise.** Charles Ross & Augustus Webb, trading in partnership as Furniture Dealers, had £400 each standing to the credit of their Capital A/c. on 1st Jan., 1913. The other balances were :—*Debit Balances* : Stock £813, F. Larner £62, N. Sturgess £49, Cash at Bank £113, Cash in hand £10, Furniture & Fittings £45. *Credit Balances* : F. Hammond £134, L. Yates £81, E. Bridge £77. Open Ross & Webb's Ledger with the above, and post thereto, through the proper books of original entry, the following :—Jan. 1, Sold to F. Larner on credit, 6 Windsor Smoking-room Chairs at 18s. 6d. each ; Sold for Cash, 1 Occasional Table for £1 1s. ; Jan. 2, Bought for Cash, Stationery, £1 5s. ; Paid Window Cleaner, 5s. in Cash ; Bought of L. Yates, on credit, 1 Walnut Hall Stand, £3 ; Jan. 3, Received cheques from the following, which were paid into the Bank : F. Larner, £50 on a/c. ; N. Sturgess, balance of his a/c., less 5% dis. ; Jan. 4, Drew and cashed Cheque, £15 ; Paid Wages,

£7 10s. (including Insurance Stamps) in Cash; Each Partner withdrew £3 10s. in Cash for private purposes; Jan. 6, Sold for Cash, 1 Bedroom Suite, £15; Paid into Bank, £10; Jan. 7, Sent Credit Note to F. Larner for allowance of 6d. each on 6 Windsor Smoking-Room Chairs; Drew cheques for the following:—F. Hammond, £50 on a/c.; L. Yates, £30 on a/c.; E. Bridge, the amount of his a/c., less 5% dis.; Jan. 8, Paid Rent by Cheque, £25; Paid Gas A/c. by Cash, £7 13s.; Balance the Ledger A/cs., bring down the Balances, and extract a Trial Balance as on Jan. 8th. 1913.

The **NATIONAL UNION** of **TEACHERS** holds examinations in the usual three stages of Book-keeping in March or April, the entrance fee for the Elementary stage being 2/–. The scope of the Elementary examination is quite reasonable and compact, as may be gathered from a perusal of the following Papers. A copy of the Syllabus may be obtained from the *Secretary, Hamilton House, Mabledon Place, Euston Road, London, W.C. 1* for 3d.

**National Union of Teachers** (*Elementary*, 1908.)

**1.** How is the Net Profit or Loss arrived at from a set of books? If the totals of P. & L. A/c. were £60 Dr. and £100 Cr., would you call the balance a profit or a loss? **2.** What do you understand by Ledger, Bought Ledger, Sold Ledger, Customer's Ledger? **3.** Tell the state of John Brown's business from the following particulars, which you are to set out in proper form:—James White, Thomas Black, and Henry Green owe him £150, £280, and £390 respectively. He owes Walter Williams £240, John Jenkins £410, and Philip Parkes £500. In addition he has Cash in hand £20, and Goods on hand £160.

**Ex.** On 1st Jan., 1908, the state of Henry Flint's business was as follows:—Cash in hand £350 12 6. Goods on hand £410. Debtors:—A. Berks £100 7 6, B. Devon £75 5 –, C. Kent, £320 15 –. Creditors:—D. Lancs £225 5 –, F. Yorks £80 15 –. Enter, post, prepare T.B., and make out P. & L. A/c., and B/S.

| | | | | |
|---|---|---|---|---|
| Jan. 1. | Paid Salaries | £25 | 10 | – |
| „ 2. | Paid Rent | 30 | 5 | – |
| „ 4. | Received Cash of C. Kent £217; allowed Dis. | 3 | 15 | – |
| „ 6. | Paid for Stationery | 2 | 12 | 6 |
| „ 7. | Sales to C. Kent | 131 | 10 | 6 |
| „ 8. | Recd. Cash for Bad Debt previously written off | 15 | 10 | 9 |
| „ 9. | Bought Goods of D. Lancs | 50 | – | – |
| „ 10. | Received Cash of A. Berks | 75 | – | – |
| | Wrote off Balance of his A/c. as a Bad Debt | 25 | 7 | 6 |
| | | 75 | 10 | – |
| „ 11. | Cash Sales | 100 | – | – |
| „ 13. | Cash received from C. Kent | 10 | 7 | 6 |
| „ 14. | Paid Wages | 41 | 9 | 6 |
| „ 15. | C. Kent bought Goods | 68 | 10 | 4 |
| „ 16. | Cash Purchases | 125 | 5 | – |
| „ 17. | Paid D. Lancs Cash £124; Dis. allowed £1 5 | | | |

| | | | | |
|---|---|---|---|---|
| Jan.18. | F. Yorks purchased Goods | £30 | – | – |
| „ 20. | Cash recd. of B. Devon £74 ; Dis. allowed £1 5 | 75 | 5 | – |
| „ 21. | Purchases from G. Notts | 128 | 18 | 6 |
| „ 22. | Paid F. Yorks Cash £49 ; Dis. allowed £1 15 | 50 | 15 | – |
| „ 23. | Sales to B. Devon | 112 | 2 | 3 |
| „ 24. | Paid Cash to D. Lancs £98 ; Dis. allowed £2 | 100 | – | – |
| „ 25. | Paid Wages | 10 | 7 | 6 |
| „ 28. | B. Devon bought Goods | 35 | – | – |
| „ 29. | Bought Goods of F. Yorks | 76 | 4 | 6 |
| „ 31. | Drew Cash for private purposes | 20 | – | – |
| „ 31. | Interest on Capital | 4 | 10 | – |

*Goods on hand* £366 – 4d.

**National Union of Teachers** (*Elementary*, 1909.)

**1.** Give the meanings of the following :—Account, Commission, Posting, Solvent, Sterling, Voucher. **2.** Rule a model Sales Book, and enter two of the following items to each of two names (and dates) of your own choice :—6 gross buttons at 5d. per doz. ; 20 yds. silk at 10/6 yd. ; 5 doz. hats at 2/6 each ; 90 ties at 21/- per doz. **3.** Each day, from Monday to Saturday (six days), a costermonger bought 17/6 worth of fruit. His takings were 23/- daily. On Saturday night he reckoned he had 2/6 worth of fruit left. Make out an A/c., showing his profit for the week.

**Ex.** On 1st Jan., 1909, the state of Francis Fair's business was as follows :—Cash in hand, £365 ; Goods on hand, £420. Debtors :—B. Best £115 ; D. Dean £80 ; K. Kew £315. Creditors :—L. Lord £205 ; Y. Young £90. Enter, post, prepare T.B., and balance.

| | | | | |
|---|---|---|---|---|
| Jan. 1. | Paid Rent | £25 | – | – |
| „ 2. | Recd. of K. Kew £197 10 – ; Dis. allowed £2 10 – | 200 | – | – |
| „ 4. | Paid Water Rate | 5 | 5 | – |
| „ 6. | Sales to K. Kew | 120 | 15 | 6 |
| „ 7. | Recd. Cash for a Bad Debt written off last year | 24 | 12 | 8 |
| „ 8. | Bought Goods of L. Lord | 65 | 10 | 6 |
| „ 9. | Received Cash of B. Best | 102 | 12 | 6 |
| | Wrote off the balance of his debt as bad | 12 | 7 | 6 |
| „ 11. | Cash Sales | 90 | 3 | 4 |
| „ 12. | Cash Purchases | 70 | 13 | 4 |
| „ 13. | Recd. Cash of K. Kew £113 12 6 ; Dis. allowed £1 7 6 | 115 | – | – |
| „ 14. | Pd.L.Lord Cash £146 5 - ; Dis.allowed £3 15 - | 150 | – | – |
| „ 15. | K. Kew bought Goods | 32 | 8 | 4 |
| „ 16. | Paid Wages | 8 | 15 | – |
| „ 18. | Y. Young purchased Goods | 35 | 7 | 6 |
| „ 19. | D. Dean paid me £78 8 - ; Dis. allowed £1 12 - | 80 | – | – |
| „ 20. | Purchases from N. Nash | 136 | 10 | – |
| „ 21. | Paid Y.Young Cash £53 ; Dis. allowed £1 12 6 | 54 | 12 | 6 |
| „ 22. | Sales to D. Dean | 120 | 13 | 4 |
| „ 23. | Paid Wages | 8 | 15 | – |
| „ 25. | Paid L. Lord Cash £53 12 6 ; Dis. allowed £1 7 6 | 55 | – | – |

| | | | | |
|---|---|---|---|---|
| Jan.26. | D. Dean bought Goods | £24 | 16 | 8 |
| „ 27. | Paid N. Nash Cash £35 ; Dis. allowed £1 10 - | 36 | 10 | – |
| „ 28. | Y. Young sold me Goods | 85 | 10 | 9 |
| „ 29. | Drew Cash for Self | 25 | – | – |
| „ 30. | Paid Salaries | 35 | – | – |
| „ 30. | Interest on Capital | 4 | 3 | 4 |

*Stock on hand* £495.

**National Union of Teachers** (*Elementary*, 1910.)

1 If you were a clerk in an office, and somebody brought you the Purchases Book and told you to post it, describe fully what you would do. 2. John Baker, merchant, had cash in hand £100 and goods on hand £200. His creditors were :—B. Black, £130 ; G. Green, £250 ; W. White, £120. His debtors were :—B. Bray, £50, and M. May, £80. Make out a B/S. and say what it tells you about the state of his business. 3. Open a ledger a/c. for Geo. Scott. Debit him with balance £20. Charge him £1 interest. Credit him with cash £15 and goods £20. Debit him with goods £40 and charge him £2 carriage. Balance his a/c., bring down the balance, and say whether he or you must pay it.

Ex. On 1st Jan., 1910, the state of George German's business was as follows :—Cash, £420 ; Goods, £510. *Debtors* :—A. Ayres, £120 ; B. Baird, £75 ; C. Cass, £250. *Creditors* :—D. Dan, £145 and E. Euston, £55. Find and credit Capital. Enter the transactions in suitable books, post, draw out T.B., balance and make out P. & L. A/c. and B/S.

| | | | | |
|---|---|---|---|---|
| Jan. 1. | Received Cash of A. Ayres | £104 | 12 | 6 |
| | Wrote off his Balance as Bad Debt | 15 | 7 | 6 |
| „ 2. | Recd. Cash of C. Cass | 147 | 17 | 6 |
| | Allowed him dis. | 2 | 2 | 6 |
| „ 3. | Paid for Stationery | 2 | 13 | 4 |
| „ 4. | Cash Sales | 95 | 4 | 6 |
| „ 5. | Cash Purchases | 85 | 3 | 4 |
| „ 6. | Sold Goods to C. Cass | 145 | 10 | 4 |
| „ 8. | Paid Wages | 7 | 15 | 6 |
| „ 10. | Purchased Goods of D. Dan | 75 | 10 | 8 |
| „ 11. | Received Cash for a Bad Debt written off | 25 | 5 | – |
| „ 12. | Paid for Painting Premises | 10 | 3 | 6 |
| „ 13. | Drew Cash for Self | 15 | – | – |
| „ 14. | Charge B. Baird int. on his overdue a/c. | 1 | 1 | 6 |
| „ 15. | C. Cass paid me Cash | 98 | 13 | 4 |
| | Allowed discount | 1 | 6 | 8 |
| „ 17. | Cash paid to D. Dan, £107 12s. 9d. Dis. | 2 | 7 | 3 |
| „ 18. | Sales to C. Cass | 47 | 15 | 2 |
| „ 19. | E. Euston bought Goods | 32 | 10 | 9 |
| „ 20. | Received Cash of B. Baird | 76 | 1 | 6 |
| „ 21. | F. France sold me Goods | 160 | 7 | 6 |
| „ 22. | Paid E. Euston Cash, £20 10s. Dis. in addition | 1 | 19 | 3 |
| „ 22. | Paid Wages | 7 | 15 | 6 |

| | | | | |
|---|---|---|---|---|
| Jan.24. | Sales to B. Baird | £110 | 10 | 8 |
| ,, 25. | Pd. D. Dan Cash, £33 18s. 6d. Dis. in addition | 1 | 1 | 6 |
| ,, 26. | Bought Goods of E. Euston | 130 | 15 | 6 |
| ,, 27. | B. Baird purchased Goods | 34 | 9 | 4 |
| ,, 28. | Pd. F. France Cash, £58 10. He allowed dis. | 1 | 10 | – |
| ,, 29. | Paid Salaries | 32 | 17 | 6 |
| ,, 31. | Interest on Capital | 5 | – | – |

*Goods on hand*, £482 13s. 9d.

**National Union of Teachers** (*Elementary*, 1911.)

**1.** Rule a model Petty Cash Book. Enter £10 Cash in hand. Pay for six different items of expense, and balance your books for commencing the next period. **2.** When a merchant keeps his books by Single Entry he neglects to keep certain a/cs. Which are they? Explain how he finds the profit he has made during the year.

**Ex.** On 1st March, 1911, Samuel Sparrow, Merchant, had Cash, £360 10s. 6d.; Goods, £450 15s. *Debtors* :—James Crow, £220 12s. 6d.; Thomas Finch, £150 17s. 6d.; John Jay, £270 4s. 6d. *Creditors* :—Louis Lark, £180 17s. 9d.; Robert Rook, £200 2s. 3d. Find and credit his capital. Enter in suitable books, post, draw out a T.B., balance the a/cs., and make out a P. & L. A/c. and B/S.

| | | | | |
|---|---|---|---|---|
| Mar. 1. | Samuel Sparrow drew Cash for self | £20 | – | – |
| ,, 2. | Received Cash from J. Crow, £210; Dis. | 10 | 12 | 6 |
| ,, 3. | Paid for Postages | 1 | 7 | 6 |
| ,, 4. | Cash Purchases | 210 | 5 | 3 |
| ,, 6. | Sold Goods to J. Crow | 175 | 6 | 8 |
| | Charged him for carriage pd. on above Goods | 1 | 13 | 4 |
| ,, 7. | Received Cash of T. Finch £147; Discount | 3 | 17 | 6 |
| ,, 8. | Paid Rates | 4 | 15 | – |
| ,, 9. | Cash Sales | 130 | 2 | 6 |
| ,, 10. | T. Finch bought Goods | 180 | 13 | 4 |
| ,, 11. | Sales to L. Lark | 50 | – | – |
| ,, 13. | Paid L. Lark Cash £127; Received discount | 3 | 17 | 9 |
| ,, 14. | Sales to H. Robin | 135 | 11 | 8 |
| ,, 15. | Purchases from L. Lark | 215 | 10 | 6 |
| ,, 16. | Paid R. Rook Cash £195; Received discount | 5 | 2 | 3 |
| ,, 17. | Received Cash from H. Robin | 35 | 11 | 8 |
| ,, 18. | J. Crow bought Goods | 28 | 10 | – |
| ,, 20. | R. Rook sold me Goods | 165 | 6 | – |
| ,, 21. | Recd. Cash of John Jay in full settlement | 255 | 10 | – |
| | Wrote off his balance as Bad Debt | 14 | 14 | 6 |
| ,, 22. | Bought Goods of Charles Wren | 54 | 2 | 6 |
| ,, 23. | Received Cash for a Bad Debt written off two years ago | 27 | 15 | – |
| ,, 24. | Purchases from R. Rook | 45 | 10 | 2 |
| ,, 25. | Paid R. Rook Cash | 100 | – | – |
| ,, 27. | Received Cash from J. Crow | 77 | – | – |
| ,, 28. | Paid Wages | 16 | 17 | 6 |
| ,, 29. | Paid Rent | 25 | – | – |
| ,, 31. | Interest on Capital | 4 | 10 | – |

*Stock on hand*, £529 14s. 9d.

## National Union of Teachers (*Elementary*, 1912.)

**1.** What is meant by an entry, a posting, a debit, a balance, an account, a sales ledger, a limited company ? **2.** In space No. 20 of your Ledger make out a model Profit & Loss A/c. showing a balance of £150 profit. The a/c. should show three different items of loss and two items of profit.

**Ex.** On 1st Jan., 1912, Henry Hart had Cash in office, £120 ; Cash at Bank, £425 12s. 6d. ; Goods on hand, £550 10s. *Debtors* :—A. Allen, £210 15s. 6d. ; B. Best, £360 4s. 6d. ; C. Crane, £120 7s. 6d. ; D. Dare, £175 10s. *Creditors* :—E. Eley, £130 6s. 8d. ; F. Fish, £280 13s. 4d. Find and credit his Capital. Enter in suitable books, post the Ledger, draw a T.B., balance the a/cs., and make a Profit & Loss A/c. and B/S.

| | | | | | |
|---|---|---|---|---|---|
| Jan. 1. | Charge A. Allen interest on his overdue a/c. | £1 | 1 | 8 |
| | Purchased Goods with Cheque ..... | 215 | 7 | 6 |
| ,, 2. | Recd. Cheque in full discharge of Dare's a/c. | 153 | 11 | 3 |
| | Wrote off his balance as Bad Debt. | | | |
| ,, 3. | Received Cheque from A. Allen ..... | 211 | 17 | 2 |
| ,, 4. | A. Allen bought Goods of me ..... | 180 | 12 | 6 |
| | Paid Charges for him from Office Cash .... | 1 | 7 | 6 |
| ,, 5. | Received Cheque from A. Allen ..... | 82 | – | – |
| ,, 6. | Sales to A. Allen ..... | 57 | 3 | 4 |
| | Paid Wages from Office Cash..... | 4 | 10 | – |
| ,, 8. | B.Best sent his cheq., £351 ; allowed Dis... | 9 | 4 | 6 |
| ,, 9. | Sold Goods to B. Best..... | 250 | 10 | 2 |
| | Paid Rent with Cheque ..... | 20 | – | – |
| ,, 10. | Purchases from C. Crane ..... | 25 | 10 | – |
| ,, 11. | Recd. Cheque from C. Crane, £90 10 6 ; Dis. | 4 | 7 | – |
| ,, 12. | C. Crane bought Goods ..... | 110 | 8 | 4 |
| ,, 13. | Paid Rates with Office Cash ..... | 6 | 3 | 4 |
| | Received a Cheque for Goods ..... | 150 | 6 | 8 |
| ,, 15. | Received Cash for a Bad Debt ..... | 16 | 5 | – |
| ,, 16. | Posted a Cheque to E. Eley, £127 10s. ; Dis. | 2 | 16 | 8 |
| ,, 17. | Bought Goods of E. Eley ..... | 155 | 7 | 6 |
| | Drew Cheque for self ..... | 25 | – | – |
| ,, 18. | Drew a Cheque for E. Eley ..... | 105 | 7 | 6 |
| ,, 19. | E. Eley sold me Goods ..... | 140 | 13 | 4 |
| ,, 20. | Paid Wages with Office Cash ..... | 4 | 10 | – |
| ,, 22. | F. Fish bought Goods ..... | 130 | – | – |
| ,, 23. | Posted Cheque to F. Fish, £147 6 8 ; Dis... | 3 | 6 | 8 |
| ,, 24. | Purchases from F. Fish..... | 245 | 4 | 10 |
| ,, 25. | Bought Goods from K. King ..... | 78 | 2 | 6 |
| ,, 26. | Sent King a Cheque for half cost of Goods | 39 | 1 | 3 |
| ,, 27. | L. Lane bought Goods of me ..... | 120 | 1 | 3 |
| ,, 29. | Sent Cash to Bank..... | 100 | – | – |
| ,, 31. | Interest on Capital ..... | 6 | 13 | 4 |

*Goods on hand*, £241 3s. 8d.

**National Union of Teachers (*Elementary*, 1913.)**

**1.** Explain: cheque, insurance, commission, bankrupt, insolvent, composition. **2** A friend in a merchant's office tells you that he keeps a sales' ledger. Give a short account of his daily work. **3.** A merchant examines some of his books and notes that the Cash Book is £50 in debit. John Brown's a/c. is also £50 in debit, but Discount a/c. is £50 in credit. Say exactly what these figures mean.

**Ex.** On 1st Jan., 1913, Z. Zeno had Cash in office, £69; Cash at bank, £535 7s. 6d.; Goods on hand, £650 12s. 6d. Debtors: Q. Quick, £325 10s.; R. Rich, £450; S. Saint, £265 10s. Creditors: T. Turk, £175 13s. 4d.; U. Ure, £100 6s. 8d.; V. Vine, £220. Find and credit his Capital. Enter the transactions in suitable books, post to the Ledger, draw out a Trial Balance, balance the a/cs., and make a Profit & Loss A/c. and B/S. (*N.B.—All cheques are to be passed through the bank same day.*)

| | | | | | |
|---|---|---|---|---|---|
| Jan. 1. | Recd. cheque from Q. Quick, £315 5s., Dis. | £10 | 5 | – |
| ,, 2. | Charge R. Rich interest on his account ... | 3 | 15 | – |
| ,, 3. | R. Rich bought Goods ..... | 215 | 7 | 6 |
| ,, 4. | Paid Wages—Office Cash ..... | 8 | 7 | 6 |
| ,, 6. | Sales to Q. Quick ..... | 180 | 12 | 6 |
| ,, 7. | Received Cheque from R. Rich ..... | 453 | 15 | – |
| ,, 8. | Paid Gas A/c.—Office Cash ..... | 7 | 10 | – |
| ,, 9. | Recd. Cheque from Q. Quick, £177 12s. 6d.; Dis..... | 3 | – | – |
| ,, 10. | Received Cheque from the trustee of S Saint in full discharge of his a/c., £232 6s. 3d.; Wrote off balance as Bad Debt ..... | 33 | 3 | 9 |
| ,, 11. | Paid T. Turk Cheque, £171 6s. 8d.; Discount | 4 | 6 | 8 |
| ,, 13. | Q. Quick purchased Goods ..... | 190 | 10 | 6 |
| ,, 14. | Received Cheque from R. Rich ..... | 107 | 13 | 9 |
| ,, 15. | T. Turk sold us Goods ..... | 150 | 7 | 6 |
| ,, 16. | Sent Office Cash to Bank ..... | 20 | – | – |
| ,, 17. | Purchases from T. Turk ..... | 275 | 17 | 6 |
| ,, 18. | Paid Wages—Office Cash ..... | 8 | 7 | 6 |
| ,, 20. | Drew a Cheque for U. Ure, £97 3s. 4d.; Dis. | 3 | 3 | 4 |
| ,, 21. | Received a Cheque for Goods ..... | 80 | 6 | 8 |
| ,, 22. | Drew a Cheque for T. Turk, £147 10s.; Dis. | 2 | 17 | 6 |
| ,, 23. | Purchases from U. Ure ..... | 180 | 10 | 6 |
| | Sales to W. Ware ..... | 270 | 15 | – |
| ,, 24. | Recd. cheq. for Bad Debt written off last year | 35 | – | – |
| ,, 25. | Sales to V. Vine ..... | 112 | 7 | 6 |
| | Received W. Ware's Cheque ..... | 135 | 7 | 6 |
| ,, 27. | Paid Water Rate with Office Cash ..... | 4 | 18 | – |
| ,, 28. | Drew a Cheque for V. Vine, £104 10s.; Dis. | 3 | 2 | 6 |
| ,, 29 | Bought Goods from V. Vine ..... | 265 | 12 | 6 |
| ,, 30. | Drew Cheque for Clerks' Salaries ..... | 35 | – | – |
| ,, 31. | Z. Zeno drew Cheque for self ..... | 25 | – | – |
| | Interest on Capital ..... | 7 | 10 | – |

*Goods on hand*, £606 7s. 7d.

# BILLS OF EXCHANGE.

**131.** Payments in coins, notes, and cheques, are not the only methods adopted in the commercial world for the transfer of money. **BILLS OF EXCHANGE** or **DRAFTS,** which are stamped promises to pay a sum of money on a given date, play an important part in the transactions of modern business. A Bill of Exchange is an instrument intended to enable a creditor who has funds in the hands of a debtor to **transfer** them, or a part of them, to himself or to a third party. These documents are the means of expanding or contracting credit to meet the varying demands of trade and are usually employed (*a*) where it is inconvenient to make immediate or direct payment of cash ; or (*b*) in order to observe the custom of some particular trade.

**132. During** the **course** of your **business** life you may wish to make a purchase of goods and to take advantage of the state of the market just at a time when you have not at your command sufficient cash for the purpose. Knowing full well, however, that a few months hence you will have ample cash, and not wishing to miss the chance of making a bargain you propose to purchase from Merchant & Co., goods to the value of £200. You inform that firm of your inability to pay for the goods at once, but relying on your trustworthiness, they invoice you the goods, and draw a three months' bill, which you accept, thereby promising to pay the £200 at the expiration of that period. The discount which Merchant & Co. might have allowed you for prompt cash payment, is, of course, forfeited.

**133.** The chief **advantages** of a B/E. are :—(**1**) It is a convenient method for the **transfer of debts** and a perfect mechanism for the settling of credit transactions ; the trouble, risk and expense of transmitting coin or notes being avoided, as a bill is generally discharged through the medium of the banks. (**2**) It is a **legal acknowledgment,** and not a mere record of a debt, whereby the exact amount is stated and the exact

time for payment is fixed, thus ensuring punctual payment from otherwise dilatory customers. (**3**) It is a **negotiable instrument** and **exchangeable for cash,** working capital being thereby increased. A creditor may have thousands of pounds of *book debts* and still be financially embarrassed ; but if he can arrange for some of his debtors to discharge their indebtedness by B/E. he will then be able to gain financial relief by negotiating—cashing—some of the bills. Merchant & Co. could deal with your bill in three ways : (*a*) retain it until it became due, (*b*) transfer it by endorsement to a creditor, (*c*) discount it, *i.e.*, they could obtain the value of the bill before the expiration of the three months from a banker or bill broker, subject to the deduction of a small discount. (**4**) **Prompt legal recovery** in case of dishonour—non-payment. Should you fail to pay the amount when due it would not be necessary for Merchant & Co. to commence an action against you for the *price of goods supplied,* but simply for payment of the amount, interest and expenses of the dishonoured bill—the fulfilment of your promise to pay. If you raised any pleas, as to non-delivery of goods, short weight, inferior quality, excessive price, &c., they would all be of little avail in the face of your written promise to pay the amount, which legal acknowledgment would be taken as almost conclusive evidence of your indebtedness. (**5**) It gives you, the debtor, **time** to convert the goods purchased into money, and thus enables you to provide the **cash** to discharge the B/E. when it becomes due.

**134. A BILL OF EXCHANGE** (**B/E.**) according to the Bills of Exchange Act, 1882 (45 and 46 Vict., chap. 61), "is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer." An instrument which does not comply with these conditions, or which orders any act to be done in addition to the payment of money is not a B/E. A Bill payable on marriage

would be invalid, as the event may never happen; while one payable on death is valid. There are two kinds of Bills :—**Inland** and **Foreign**; the former being those both drawn and payable in the British Islands, which include the Channel Islands and the Isle of Man.

EXAMPLE OF DRAFT.

*No.* 1. **£200.** *HUDDERSFIELD, 18th August,* 1907.

*Impressed Stamp Two Shillings.*

*THREE MONTHS after date, pay to our order*

*TWO HUNDRED POUNDS, value received.*

*To Mr. Albert Pupil,*
*113 New Street, Leeds.*

*MERCHANT & CO.*

**135.** It is usual for the **Drawer** to **consult** his own **convenience** as to how he shall direct the drawee to pay the money :—(1) at what time ; (2) at what place ; (3) to whom. For instance, the bill may be payable : (1) at sight, six months after date or after sight ; (2) in London, or at the Union Bank ; (3) to the drawer, to a third party, or to bearer. In practice there are **five essentials** in **drafting** a bill, which is generally done by filling up either a blank *bill stamp* or a lithographed form already *impressed* with a stamp sufficient in value to cover the stamp duty payable thereon.

**1. The Date** should be so clearly written at the top right-hand corner of the draft that it cannot be easily altered, as the term or period of the bill generally commences to run from the date. A bill issued undated, is not invalid, and any holder may insert the true date, or what he believes to be the true date, and the bill is then payable accordingly.

**2. The Term** (*Three months after date*), sometimes called the Currency or Tenor of a bill, is the period intervening between the date upon which the bill is drawn and that upon which the amount becomes due.

**3. The Amount** (known as the **contents** of a bill), should be accurately stated at the top left-hand corner in figures, and in the body of the draft in words.

**4. The Parties** necessary to every bill, number three, though sometimes the functions of two of these parties are performed by the same person. They are called the **Drawer,** the **Drawee,** and the **Payee.**

(a) The **Drawer** is the party who writes out or drafts the bill, which he signs at the foot, as *Merchant & Co.* The Drawer is supposed to be the Creditor of the Drawee.

(b) The **Drawee** is the person to whom the order or request for payment is addressed, as *Albert Pupil.*

(c) The **Payee** is the party to whom the money is to be paid. In the above example the Drawer and the Payee are the same—*Merchant & Co.,* " pay to our order " means pay to Merchant & Co., or to any other person whom they may authorise by endorsement. Instead of the words " our order " they might have inserted *Lee & Co. or order,* in which case the bill would have been payable to Lee & Co., and there would then have been three different parties concerned. A bill may be made payable to the holder of an office, thus :—" The Secretary, Halifax Chamber of Commerce "; or " The Treasurer, York Infirmary."

**5. The Stamp.** Before being drafted most inland bills require to be *impressed* with *ad valorem* (according to value) stamp duty at the rate of 1/- for every £100, and also for any fractional part of £100 if the bill exceeds £100. When the amount—

| | | | | | | |
|---|---|---|---|---|---|---|
| does not exceed | £10 | the stamp required is | | | | 2d. |
| Exceeds | £10 | and does not exceed | £25 | stamp | | 3d. |
| ,, | £25 | ,, | ,, | £50 | ,, | 6d. |
| ,, | £50 | ,, | ,, | £75 | ,, | 9d. |
| ,, | £75 | ,, | ,, | £100 | ,, | 1s. 0d. |

Bills payable " *on demand,*" " *at sight,*" or within *three days after date or sight,* for whatever amount, only require a *two-penny stamp,* either impressed or adhesive, but if the latter it must be cancelled by the drawer of the bill. A Bill payable with interest does *not* affect the stamp, unless a specific sum is named,

though the interest be payable from a date antecedent to the date of the bill. Bills drawn in the Channel Islands and the Isle of Man are *foreign bills so far as the Stamp Act is concerned.* A foreign bill *negotiated* in the U.K. but drawn as well as payable *out* of the U.K., is only liable to an *ad valorem* stamp duty of 6d. for every £100. The Penalty for issuing or negotiating unstamped bills is £10.

**136.** Unlike other contracts, the **consideration** for a B/E. is presumed till the contrary is made probable. Although it is superfluous it is nevertheless the custom to add to a bill the words **value received.** They are intended to imply that the bill has been given in exchange for a consideration, that is, actual or real value or benefit previously received in the form of goods, cash, or services.

**137. Procedure** relating to transactions in **Bills.** In order to fully grasp dealings in bills you will find it instructive to follow the procedure concerning a few simple transactions. On receipt of the cloth purchased from Merchant & Co., on the 2nd August, you would, of course, inspect its condition and generally compare the particulars on the invoice with the material itself. If any discrepancy occurred, as short lengths, excessive price, inferior quality, or damaged pieces, you would at once communicate the fact to Merchant & Co. Assuming, however, that you have made no complaint about the cloth, all being in perfect order, you would in the course of a few days receive from Merchant & Co. a draft for £200 enclosed in a letter as follows :—

---

*50 King Street,*
*HUDDERSFIELD,* 18*th August,* 1907.

*Albert Pupil, Esq.,*
*113 New Street, Leeds.*

*Dear Sir,*

*We beg to enclose a three months' draft on you for* £200 *which we will thank you to accept and return to us, made payable in London.*

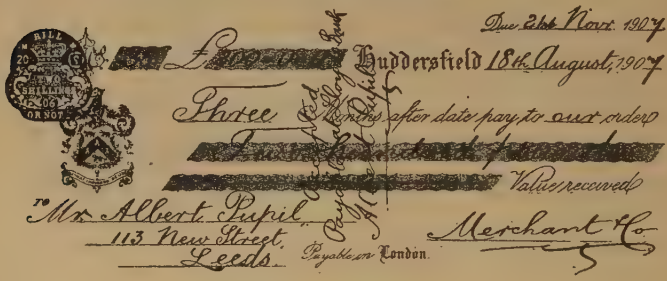
*Yours faithfully,*
*MERCHANT & CO.*

---

On receipt of the above you would refer to your Ledger to see that the amount was correct, and after

carefully examining the draft would accept it, when it would appear as follows :—

EXAMPLE OF BILL OR ACCEPTANCE.




**138.** To **ACCEPT A BILL** is to signify your assent to the order of the Drawers—Merchant & Co., by writing your name across the face of the Bill, thereby engaging to pay the amount specified when due. Before accepting the bill you were merely the Drawee, but having now made yourself liable to pay the £200 in three months, by accepting the bill, your capacity is changed to that of **Acceptor.** The bill may now be termed an **Acceptance,** the simple meaning of which is "I will pay." An Acceptance is not binding when given by any other person than the Drawee ; thus, if a bill be drawn on Henry Brook, and be accepted by Henry Wild, the latter would not be liable on the bill. The Drawee is entitled to retain the bill for 24 hours, but after that he must re-deliver it accepted or unaccepted. The Drawee may sign before the Drawer's signature is written, or he may sign a blank stamped form. Acceptances are divided into general and qualified. A **general** or **clean** acceptance assents, without qualification, to the order of the drawer. The naming of the place of payment without adding *and there only* does not take it out of the general class. A **qualified** acceptance is one which, in express terms, varies the effect of the bill as drawn. The qualification may be conditional, partial,

local, periodical, or the acceptance of one or more of the drawees, but not all, as :—

*Accepted on condition of three months' renewal.*
*Accepted for £100 only.*
*Accepted payable at Lloyds Bank, and there only.*
*Accepted payable in four months.*

The holder of a bill may refuse to take a qualified acceptance, and may at once treat the bill as dishonoured by non-acceptance for want of a general acceptance. If he takes a qualified acceptance it will bind the acceptor and all subsequent parties, but it will not bind those who have already drawn or endorsed, unless they have authorised it or assent to it expressly or by implication, and they will consequently be discharged on the holder taking it. While the **signature** of the acceptor is alone *essential* in accepting a bill, it is nevertheless customary to preface the word *Accepted* and add the place of payment, which, if omitted, is taken to be the usual place of business of the acceptor. The place of payment is known as the **domicile,** and the above bill will be a *Domiciled Bill*, because the place of payment is stated. After accepting the bill and making the entries in your books you would write a note returning the Acceptance to Merchant & Co.

**139. DAYS OF GRACE.** Now this bill would become due or **mature** on the 21st November, 1907, being three *calendar* months after its date, plus *three extra days* which are known as *days of grace*. According to an old custom, no B/E., except those payable on demand or at sight, is really payable in the U. K. until **three days** after the expiration of the currency or term of the bill. These three days must be added to the term before you can arrive at its **due date.** Originally they were merely a matter of indulgence, grace, or favour, but they have now acquired legal force, and must be allowed unless the bill otherwise provides, as— "On the 2nd June *fixed* pay," or "Six months after date, *without grace*, pay."

**140. MODE OF PAYMENT.** A few days before the bill became due, or arrived at maturity, it would be necessary for you, the **payer,** to inform your banker, that the **payees,** Merchant & Co., would be **presenting**

to your banker's London Agents—*Lloyds Bank*—the bill for payment. You would notify or advise him of this by means of an—

**141. ADVICE SLIP,** which is a formal note, containing particulars of bills, addressed to a banker, **advising** or requesting him to pay or honour the bills specified, and to debit the a/c. of the acceptor with the amount. Bills presented for payment are frequently dishonoured for want of advice, or as is sometimes termed, *No Orders.*

| Acceptor. | Drawer. | Date. | Term. | Amount. |
|---|---|---|---|---|
| *Albert Pupil* .. | *Merchant & Co.* | 18 *Aug.* | 3 *mos.* | 200 - - |

*To the West Riding Banking Co., Ltd.,*
*Please advise Lloyds Bank to honour the above acceptance, amount* £200 0 0, *and charge the same to account of*
*ALBERT PUPIL.*

*Leeds,* 18*th November,* 1907.

**142.** On **PRESENTATION** of the above bill, by Merchant & Co.'s Bankers to *Lloyd's Bank,* the latter would pay the former the amount and take possession of the matured bill on your behalf. When a bill is thus disposed of, it is said to be **honoured, redeemed, taken up, met, lifted ;** all of which denote payment. The next time you had your Pass Book entered up at the Bank you would find that your a/c. had been debited with the £200, which had been paid to meet your acceptance. Therefore, on *advising* the Bank to meet a B/P., always either record the transaction in the Journal :—*B/P. Dr. To Bank,* or, in practical work, on the Cr. side of Cash Book :—*Nov.* 18, *By B/P.* £200.

**143. PAYMENT OF BILLS.** A bill is said to be discharged or extinguished when **duly paid** at maturity directly on presentation, which is called by business men a *payment in due course.* The discharge of a bill is effected either by the holder's receipt on the back of it, or by simply cancelling it. The bill thus discharged is, in both cases, returned to the drawee or his banker.

Every bill (except those on demand or at sight) *must* be **presented** for **payment** either to the acceptor, or to the bank where it is made payable, on the last day of grace. Failure to observe this would result in all the parties to the bill, except the acceptor, being discharged from their liability. When a bill is accepted on condition of the presentment at a particular place *and there only*, or with words to the like effect, also where a Promissory Note is expressed in the body to be payable at a particular place, it *must* be presented even to charge the acceptor. Should the last day of grace fall on Sunday, Christmas Day, Good Friday, or a public fast or thanksgiving day, it is payable on the *preceding* business day; if on a Bank Holiday, then on the *succeeding* business day. If a bill is **lost** before it is overdue the drawer may be compelled to give a duplicate to the person who was the holder, upon his giving sufficient indemnity against the claims of any person who may become possessed of the lost bill. The loser should immediately give notice of the loss to the parties liable on the bill, and a public advertisement should also be given. The party who has lost the bill must, nevertheless, make application to the drawee for payment at the time it is due, and give notice of dishonour.

**144.** You will observe in Ex. 34, 10th August, that you *Received from A. Brand his acceptance at* 1 *month for* £100. This transaction signifies that A. Brand owed you £100; and that you drew a draft upon him for the amount; which he returned to you duly accepted.

EXAMPLE OF ACCEPTANCE.

*No.* 1. **£100.** *HUDDERSFIELD,*
*10th August,* 1907.

Impress'd Stamp One Shilling.

*ONE MONTH after date pay to my order, the sum of ONE HUNDRED POUNDS value received.*

Accepted. Payable at Glyn, Mills & Co., London. Alf. Brand.

*To Alfred Brand, Esq.,*
*Dock Street,*
*Hull.*

*ALBERT PUPIL.*

**145.** This bill, of which you are the **holder,** would become due on the 13th September, 1907. Three or four days before that you would endorse it, and, along with a **Credit Slip** (see par. 67), hand it to your banker, just as you would a cheque, **for collection,** from Glyn, Mills & Co., who would pay the amount on behalf of Alf. Brand, and thus meet, honour, or redeem the bill. Your banker would, of course, credit your a/c. with the amount he had received in respect of the bill. On paying bills into bank for collection, either record the transaction in the journal :—*Bank Dr. To B/R.*, or on the **Dr.** side of the **Cash Book** :—*Mar.* 10, *To B/R.*, £185 12 6.

**146. ACCOUNTS OF BILLS.** It will be quite clear to you that the above bill is **Payable** by the person accepting it, viz., Alf. Brand : and **Receivable** by the person holding it, viz., yourself. Therefore, in recording transactions concerning bills, you would call those going **Out,** *which you have accepted* or undertaken to pay, **Bills Payable** ; and those coming in, *which you hold* from others, **Bills Receivable.** Previous to Alf. Brand accepting your bill for £100, that amount stood to his debit in a personal a/c. in the Ledger, but immediately he accepted the bill his indebtedness changed from the form of a *book debt* to that of a *negotiable instrument,* a written promise to pay, which is a Bill Receivable to you. This Bill is something real and tangible with which you can deal and for which you can obtain money, or use for the payment of a debt. Hence the a/cs. of Bills Payable (*B/P.*) and Bills Receivable (*B/R.*) must be regarded as Real a/cs., the rules for entering which, you will remember, are :—Value coming **In** is **Dr.,** value going **Out** is **Cr.** You must not fail to remember that it is the **acceptance** which gives the bill its *value*, therefore no entry must be made until the Bill is accepted. **B/R.**—On an **acceptance** coming **in** or being received by you, as from Alf. Brand, you would journalise it thus :—*B/R. Dr.* £100, *To Alf. Brand,* £100. (See par. 171.) And on the arrival of the *due date*, when the Bill goes **Out,** on being **honoured** or **paid** by Alfred Brand, thus :—*Bank or Cash. . Dr:* £100, *To*

*B/R.* £100. In *practical work* the **entry** in the **Cash Book** would be on the **Dr.** side, thus :—*To B/R.* £100.

As mentioned in par. 133, the holder of a Bill may **negotiate** it, *i.e.*, endorse and pay it away to a creditor, as in Ex. 40, where T. Long's acceptance is paid by you to W. Hill, which transaction would be journalised thus :—*William Hill, Dr. To B/R.* £196 19 10.

**B/P.** The **acceptance by you** on 18th August of Merchant & Co.'s bill represented a bill going **Out** and would be journalised thus : *Merchant & Co., Dr.* £200. (See par. 172.) *To B/P.* .....£200. and on its coming **In** and being **honoured** by your banker (See par. 142) thus :—*B/P.....Dr.* £200, *To Bank* £200. In *practical work* the entry in the **Cash Book** would be on the **Cr.** side, thus :—*By B/P.* £200.

**Bills Receivable** always come **In** first and are therefore debited, and when paid or honoured they go **Out** and are returned to the acceptor, therefore the a/c. is then credited. **Bills Payable** always go **Out** first and are therefore credited, and when paid or honoured by you they come **In** and are returned to you by the holder, therefore the a/c. is then debited. You will notice that when a bill is honoured either at the bank or in cash you do *not* debit or credit the *person,* but one of the Bill a/cs. and bank or cash. **Accounts** of **Bills** are **balanced** in the same way as other real a/cs., the *difference* of a **B/R.** a/c. representing an *asset* or bills in hand. The total *value* of the bills in your bill-case should correspond exactly with the balance of the B/R. a/c. The *difference* of a B/P. a/c. represents a *liability,* or bills which you have accepted. This balance should be compared with the total of the unpaid bills recorded in the bill book.

The following accounts **illustrate** the records connected with the B/E. in **Exercise 34.**

**Dr.** **Cash Book.** **Cr.**

| | | Office. £ | Bank. £ | | | Bank. £ |
|---|---|---|---|---|---|---|
| 1907 Aug. 15 | To Bills Rec. A/c. (Salt) | 148 | | 1907 Aug. 5 | By Bills Payable A/c. (Brown) | 100 |
| ,, 23 | ,, Bills Rec. A/c. (Mart) | | 50 | ,, 28 | ,, Bills Payable A/c. (Jones) | 115 |

**Bills Receivable Book.** (Abridged Form).

| Date. 1907 | From whom recd. | Term. | When due. | L.F. Cr. | Amount. £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Aug. 10 | Alfred Brand ... | 1 month | 13th Sept. | | 100 | - | - |
| ,, 24 | Matthew Paul .. | 2 months | 27th Oct. | | 75 | - | - |
| | Bills Receivable A/c... Dr. | | | | £175 | - | - |

**Bills Payable Book.** (Abridged Form).

| Date. 1907 | To whom given. | Term. | When due. | L.F. Dr. | Amount. £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Aug. 18 | Merchant & Co. | 3 months | 21st Nov. | | 200 | - | - |
| | Bills Payable A/c ..Cr. | | | | £200 | - | - |

**Dr. Alfred Brand. Cr.**

| 1907 | | £ | 1907 | | £ |
|---|---|---|---|---|---|
| Aug. 1 | To Cloth ..... | 125 | Aug. 10 | By Cash ..... | 25 |
| ,, 18 | ,, Cloth ..... | 96 | ,, 10 | ,, Bill Receivable | 100 |

**Dr. Matthew Paul. Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Aug. 1 | To Balance b/f... | 72 | - | - | Aug. 6 | By Cash & Dis... | 72 | - | - |
| ,, 6 | ,, Cloth ..... | 87 | 15 | - | ,, 24 | ,, Cash ..... | 35 | - | - |
| ,, 18 | ,, Cloth ..... | 62 | 5 | - | ,, 24 | ,, BillReceivable | 75 | - | - |

**Dr. Bills Receivable A/c. Cr.**

| Bills Receivable come in for Goods or Value. | | | Bills Receivable go out for Cash or Discount. | | |
|---|---|---|---|---|---|
| 1907 | | £ | 1907 | | £ |
| Aug. 1 | To Balance b/f. ... (Salt&Mart'sB/R.) | 198 | Aug. 15 | By Cash (Salt) .... | 148 |
| ,, 10 | ,, Alfred Brand ... | 100 | ,, 23 | ,, Cash (Mart) .... | 50 |
| ,, 24 | ,, Matthew Paul .. | 75 | ,, 31 | ,, *Balance c/d., being B/R. not matured* | 175 |
| | | £373 | | | £373 |
| Sept. 1 | To Balance b/d..... | 175 | | | |

**Dr. Bills Payable A/c. Cr.**

| Bills Payable come in for Cash on maturity. | | | Bills Payable go out for Goods or Value. | | |
|---|---|---|---|---|---|
| 1907 | | £ | 1907 | | £ |
| Aug. 5 | To Cash (Brown) .. | 100 | Aug. 1 | By Balance b/f. .. (Brown's&Jones'B/P | 215 |
| ,, 28 | ,, Cash (Jones).... | 115 | ,, 18 | ,, Merchant & Co.. | 200 |
| ,, 31 | ,, *Balance c/d. being B/P not matured* | 200 | | | £415 |
| | | £415 | Sept. 1 | By Balance b/d. ... | 200 |

**Dr.** **Merchant & Co.** **Cr.**

| 1907 | | £ s. d. | 1907 | | £ s. d. |
|---|---|---|---|---|---|
| Aug. 4 | To Cash & Dis. | 107 10 – | Aug. 1 | By Balance b/f. | 107 10 – |
| „ 18 | „ Bill Payable | 200 – – | „ 2 | „ Cloth ..... | 254 – – |

**147. A PROMISSORY NOTE** (P/N.) is an unconditional promise in writing, made by one person to another, signed by the maker, engaging to pay, on demand or at a fixed or determinable future time, a certain sum of money to a specified person or to bearer. A P/N. must always be made out on paper *impressed* or *embossed* with an *ad valorem* (according to value) stamp, whether drawn " on demand " or not. P/N. for less than £5 payable to *bearer on demand* are illegal in England and Wales.



£100. Hull. 10th August, 1907.

One month after date, I promise to pay to Albert Pupil, or order, the sum of One hundred pounds, value received.

Payable at Lloyds Bank, London.

Alfred Brand

**148.** If you **compare** the above with Alf. Brand's acceptance you will notice that he is the person who undertakes to pay the money in both cases, the difference between the two promises being a mere formal one. A P/N., in fact, resembles a B/E. in most of its processes, the chief difference being that it does not require accepting. It is an acceptance in itself, because it is made out by the debtor, Alf. Brand, and handed by him to you. Transactions in P/N. are journalised like bills.

**149. FOREIGN BILLS.** The first transaction in Ex. 35, is *Purchased Goods from Henry Clay, Chicago*, £204 5s. 6d. The question at once arises, how shall you pay or remit to Clay this amount ? The expense, trouble and risk attending the transmission of specie such a distance is too obvious to need comment. If you had an agent or customer in Chicago the best method

of settlement would be by **drawing** upon such agent or customer. On reference to Ex. 35 you will find that you have a customer at Chicago—Neal Dow—who owes £315. The best course for you to adopt then would be to draw a Bill of Exchange upon Neal Dow for £204 5 6 in favour of Henry Clay. As you merely transfer £204 5 6 from Dow to Clay, the Journal Entry would be :—*Henry Clay Dr. To Neal Dow*, £204 5 6.

VIA OF FOREIGN BILL.

*No.* 6. **Exchange for $1000 52c.**

*Huddersfield, 20th September*, 1907.

Stamp Three Shillings.

*Sixty days after sight, pay this First of Exchange (Second and Third of the same tenor and date not paid) to the order of Henry Clay, the sum of One Thousand Dollars and fifty-two cents., value received, and charge the same to my account.*

*To Neal Dow, Esq.,*
*10 Sixth Avenue, Chicago, U.S.A.*

*ALBERT PUPIL.*

**150.** The **drafting** of foreign bills is somewhat different from that of inland bills. Instead of merely drawing one document you draft two or three, and these are called a **Set of Bills.** One object of this is to obviate delays and avoid inconvenience in case of the loss or miscarriage of one of them. Another object is that the first of the set may be sent abroad to an agent or banker, so that he may secure acceptance ; while another of the set is put into circulation and sold to the bill brokers, thus allowing the drawer or endorser to realise the amount of the bill, at the same time that the "first" is going forward for acceptance. As you will see, the only variations in the form of the three bills will be the words, *first*, *second*, and *third*.

In the **First** via the words must be *Second and Third*.
„ **Second** „ „ *First and Third*.
„ **Third** „ „ *First and Second*.

Only that **via** of a foreign bill need be **stamped**, which is used or negotiated. In addition to the revenue stamp *impressed* in the country where it is drawn, it also requires the *adhesive* revenue stamp of the country where it is domiciled or made payable ; therefore the above bill would require stamping on its arrival in the

United States. On the receipt, in this country, of a foreign bill it is the duty of the holder, first, to present it for acceptance, and, secondly, to affix thereto and cancel a proper adhesive bill stamp of sufficient amount; after which the bill may be negotiated. It is customary to state the **amount** of a foreign bill in the currency of the country where it is made payable. The rate of exchange on the day of the date of the bill is used for stamp purposes, but the rate on the day the bill is payable for purposes of payment. The absence of a foreign stamp on a foreign bill does not affect the right of any person to sue in this country, provided the bill has been stamped according to English Law.

**151. PROCEDURE** with **Foreign Bills**. As drawer of the above bill you would forward the *stamped* **copy** to H. Clay, and by a later mail a second copy, so that should the first have been lost by shipwreck, or have miscarried, the second would be available. You would retain the third copy until it was known whether either of the others had been received ; if both were lost, it would require stamping and forwarding, otherwise it would be of no use, and might be destroyed, as might also the second if the first had reached its destination. By the same mail as you sent Clay his first bill, you would write Neal Dow **advising** him of the fact, and requesting him to accept the bill when presented by Clay.

**152. AFTER SIGHT**. The term of the above bill is *Sixty days after sight* instead of after date. By the use of this phrase in foreign bills the inequalities arising from varying distance and means of communication are equalised. The term or period of the above bill is calculated *not* from the *date* of the *drawing* of the bill, 20th September, but from the date when the bill is **sighted** or *seen* and accepted by the drawee, Neal Dow. Hence it is very important that Clay on receiving the bill should immediately take it to Dow for acceptance and that Dow when accepting it, should note the date of acceptance, which would probably be as follows :—

"Accepted 30th September, 1907.
Payable at the National Bank, Chicago.
Due 2nd December,
Neal Dow."

**Payment.** When this bill arrived at **Maturity** Dow would pay the amount to Clay, Dow having debited your a/c. with the same on acceptance. You would thereby be saved the trouble and expense of remitting Cash to Clay, he having been paid by your debtor.

**153. EXCHANGE** is a term applied to the remittances of money between different countries, by which sums in the money of one country are exchanged for sums of equivalent value in the money of another. In other words, the method adopted by a debtor for the payment of a debt due to a foreign creditor, without the transmission of specie or coin. As a consequence of commerce there at all times exists a mutual indebtedness between countries having commercial intercourse with each other. For instance, while there are several persons in Paris indebted to others in London, there are also a number of persons in London debtors to Parisians. Therefore in case you wished to remit to B., your creditor in Paris, £100, and you had no agent, banker, or debtor in that city, a good method of settlement would be by **buying a bill** payable at Paris, and forwarding it to your creditor. The question now arises, where and how are you to buy this bill? If you wish to purchase corn, cattle, leather, wool, tea, etc., you would either attend the markets at which they were sold, or employ a factor, dealer, or broker to purchase on your behalf. Foreign B/E. are to be bought in a similar way. There are **Bill Brokers** whose chief business it is to deal in B/E. Merchants communicate their wants for bills to these brokers, who also ascertain those merchants who have debtors abroad, and the brokers thus discover the side upon which the greater demand lies, for money or for bills. These brokers meet on market days, Tuesdays and Thursdays, at the Royal Exchange, London, and determine the course of the day or Rate of Exchange, between one country and another. The Rate of Exchange or *Price List of Bills* is based upon the—

**154. PAR OF EXCHANGE,** which means that sum in the currency of one country, which, in its *intrinsic* or

*real value*, is equal to a specified sum in the currency of some other country. In other words, when money of the same standard and weight in one country, yields money of the same standard and weight in another, the exchange is then said to be *at par*. **Gold** and **Silver** when refined and coined into money, no matter by what country, become of about equal fineness or purity, so that the same weights are, for all commercial purposes, of equal value. Thus, according to the mint regulations of Great Britain and France, £1 sterling is equal in its intrinsic value to 25 francs, 22 centimes of French money; and therefore, the par of exchange between London and Paris is 25frs. 22c. If more than that sum is given us, say 25frs. 30c., the exchange is *below* par and against Paris; if, on the other hand, £1 sterling should be accounted equal only to 25frs. 15c., the exchange is *above* par, being in favour of Paris and against London. It should be observed that when the exchange is favourable to a place, it is only so to the buyer and remitter of foreign bills; but unfavourable to the drawer and seller. Thus the interest of each party is identified with that of the place where his funds are; hence an unfavourable rate of exchange in any place operates as a premium for the exportation of goods, and is, so far, an advantage to that place. The **variation** of the rate of exchange is, however, limited to twice the cost of transmitting gold between two countries. These limits are known as—

**155. SPECIE or GOLD POINT,** which is that point above or below the mint par of exchange at which it becomes more profitable to export or transmit bullion than to buy B/E. The cost of transmitting bullion varies from ½% to 2%, according to distance, risks, and other circumstances, and hence it is only under exceptional conditions that the prices of B/E. rise above or fall below these limits. No merchant will ever pay a greater premium for a bill to discharge a foreign debt than would suffice to cover the expense of transmitting bullion. Some gold points on the London Exchange are:—

| *London on* | | *Mint par.* | *Gold Exports.* | *Gold Imports.* |
|---|---|---|---|---|
| Paris..... | Fcs. | 25.22½ | 25.12½ | 25.32½ |
| Berlin .... | Mks. | 20.43 | 20.33 | 20.52 |
| Amsterdam | Fl. | 12.10 | 12.04 | 12.15 |
| Copenhagen | Kr. | 18.16 | 18.07 | 18.23 |
| New York | $ | 4.867 | 4.827 | 4.89 |

The Rate of Exchange for each country is published in the daily papers on Wednesdays and Fridays in each week in the Price List of Bills, better known as the—

**156. COURSE OF EXCHANGE**, which means that **variable amount** in the currency of one country which at any given date, is offered for a **fixed sum** in the currency of another country. The Rates of Exchange are seldom at par, fluctuating daily according to the state of trade, the value of money, and other disturbing influences. The rate quoted, which is generally for drafts having three months to run, is affected principally and legitimately by the actual balance of trade between the two countries, and the consequent necessity of remittances to discharge the debts which have been contracted between them. But this effect will not be seriously felt if the general balance of trade is at the time in favour of the country having occasion to remit. If a greater amount of remittances is made to a particular place, for instance, Paris, than is received from it, the exchange will be above par; if, on the other hand, a greater amount is received from Paris than is sent to it, the exchange will be below par.

**157. BILL BUYING.** Your question as to where and how to purchase a bill having been answered, you would then proceed, through the medium of your broker, to communicate with the money or exchange market, whereupon you would ascertain that C., of Paris, was indebted to D., of London, in the sum of £100. You would, therefore, buy for cash at the *current rate of exchange* from D., of London, a draft from him addressed to his debtor C., of Paris, requesting the latter to pay the amount to *your order*. Having endorsed the bill in favour of your creditor, F. Basile, thus :—

*Pay to the order of F. Basile,*
*Albert Pupil,*

you would forward it to your creditor, B., of Paris, who would **present** it to C. for **acceptance.** The Journal entry would be :—*F. Basile Dr. To Cash* £100. In *practical work* the entry in the **Cash Book** would be on the **Cr.** side, thus :—*By F. Basile* £100.

In dealings with a foreign firm the Ledger a/c. will require two money columns on each side, in order to record the transactions in both currencies. When balancing it will be found that there will be a small difference arising from the fluctuations of Exchange between the two countries. This difference must be transferred to an **Exchange A/c.,** the balance of the latter being carried to the P. & L. A/c. on making up the books.

**Dr.** **Gustave Loubet,** Rue Garibaldi 19, Paris. **Cr.**

(Standard Exchange, Fcs. 25.50 = £1.)

| 1908 | | £ | s. | d. | Fcs. | c. | 1908 | | £ | s. | d. | Fcs. | c. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 6 | To Goods .... | 100 | - | - | 2550 | - | Mar.30 | By Cheque (rate 25.25) | 309 | 10 | 8 | 7815 | 75 |
| ,, 30 | ,, Goods .... | 206 | 19 | - | 5265 | 75 | | | | | | | |
| Mar.31 | ,, *Transfer to Exchange A/c.* ..... | 3 | - | 8 | | | | | | | | | |
| | | £309 | 10 | 8 | 7815 | 75 | | | £309 | 10 | 8 | 7815 | 75 |

VIA OF FOREIGN ACCEPTANCE.

*No.* **7.**

**Exchange for Fcs. 2520.**

*LONDON,*

*26th September,* 1917.

Stamp One Shilling.

*Thirty days after date (Second and Third of the same tenor and date not paid), to the order of Albert Pupil, the sum of Two Thousand Five Hundred and Twenty Francs, value received and charge to account, with or without advice of*

Accepted. Payable at the Bank of Paris, Chevreul & Co., Due 26th October.

*To Messrs. Chevreul & Co., Paris.*

*DANIEL & CO.*

**158.** As there are **no days of grace** in France, the above bill would mature on the 26th October. The number of days of grace allowed in foreign countries varies. They are shown in the Table of Usance.

**159.** By the operation of this B/E. the convenience of all parties concerned is suited ; the London creditor is paid by the London debtor ; and the Paris creditor is paid by the Paris debtor ; consequently the two debts are paid, and not a single coin passes between London and Paris. In this example *Daniel & Co.* are the **Drawers,** *Chevreul & Co.* are the **Acceptors,** *Albert Pupil* is the **Buyer** and **Endorser** of the bill, and *F. Basile* is the **Endorsee** of the bill and **receiver** of the money in Paris. Two persons here receive the money, Daniel & Co., and F. Basile, and two pay the money, Albert Pupil and Chevreul & Co. ; which is just what must be done when two debtors and two creditors settle a/cs. It will thus be seen that the debtor in one country is substituted for the debtor in another, and that while B/E. are used for the payment of inland debts, they were originally intended for the discharge of foreign debts.

**160. NEGOTIATION OF BILLS.** The **holder** of a bill may deal with it in three different ways. He may retain it until maturity ; transfer it to one of his creditors ; or discount it. When dealt with by either of the latter methods it is said to be **negotiated,** or *put into circulation,* which is the act of freely assigning or transferring a bill, with or without endorsement, either under discount or otherwise, to another person. For instance, suppose you hold an Acceptance by John Kerr for £100, and at the same time you are indebted to Joel Day in the sum of £100 or more, you may transfer to Day, Kerr's bill in payment of your debt. Such a transaction, involving the **out** going of a bill, would be journalised thus :—*Joel Day Dr. To B/R.* £100.

**161. DISCOUNTING** is a method frequently resorted to, particularly if the holder is urgently in need of cash. To **discount** a bill is to obtain money for a bill before it is due, interest being charged for the accommodation. On reference to Exercise 36, Oct. 8th, you will find that B. Astor gave you his acceptance at one month for £500, and that on the following day you discounted same, Cash credited £497 18s. 4d., discount charged £2 1s. 8d. It appears from the latter

transaction that you took the bill and **endorsed** it either to your banker or to a bill discounter, who, after being satisfied as to the solvency of B. Astor, paid you the £500, less one month's interest at 5%. The deduction of £2 1s. 8d., although really interest, is called discount. It is the banker's profit on the loan, and your loss for getting the money before it was due. As the Cash comes **In** to the Bank and the Bill goes **Out,** the above transaction would be journalised thus :—

*Bank* .....*Dr.* £497 18 4
*Bank Charges A/c.* .. „ 2 1 8
*To B/R.* .....£500

In *practical work* there would be **two** entries in the **Cash Book,** the full amount of the bill being entered on the **Dr.** side, thus :—

*Oct.* 9. *To Bills Receivable A/c.*.....£500.

and the Discount being entered on the **Cr.** side, thus :—

*Oct.* 9. *By Discounting Astor's B/R.* £2 1 8.

This method keeps the Bank columns of the Cash Book in harmony with the Bank Pass Book. The Discount should be posted to the debit of the " Bank Charges A/c.," so as to keep it separate from the ordinary " cash discount."

Although you may *generally* regard a bill thus negotiated as finally disposed of, there does exist, however, on account of your endorsement, a " contingent liability " in respect thereof, until the same is paid by the acceptor

The above transactions relative to **discounting** B/R. in **Ex. 36,** would be recorded in the Ledger and Cash Book, as shown below :—

**Dr.** **Bills Receivable A/c.** (Ex. 36). **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Oct. 31 | To Sundries as per total of B/R. Book | 1201 | 2 | 2 | Oct. 9 | By Cash (Astos's Bill discounted) | 500 | - | - |
| | | | | | „ 22 | „ Cash (Astor's Bill discounted) | 250 | 15 | 6 |
| | | | | | | | 75 | 6 | 8 |
| | | | | | „ 24 | „ Wolsey Terry | | | |
| | | | | | „ 31 | „ *Balance c/d.* ... | 375 | - | - |
| | | £ 1201 | 2 | 2 | | | £ 1201 | 2 | 2 |
| Nov. 1 | To Balance b/d.... | 375 | - | - | | | | | |

Dr. **Cash Book.**

| 1907 | Receipts. | Office. £ s. d. | Bank. £ s. d. |
|---|---|---|---|
| Oct. 9 | To Bills Receivable A/c. (Astor's B/R.) .... | | 500 – – |
| ,, 22 | ,, Bills Receivable A/c. (Astor's B/R.) .... | | 250 15 6 |

**Cash Book.** Cr.

| 1907 | Payments. | Discount. £ s. d. | Office. £ s. d. | Bank. £ s. d. |
|---|---|---|---|---|
| Oct. 9 | By Discounting Astor's B/R. ... | | | 2 1 8 |
| ,, 22 | ,, Discounting Astor's B/R. ... | | | 5 15 6 |

**162. THE RATE OF DISCOUNT** varies according to the nature of the bill, being considerably higher if any suspicions are entertained of the punctuality or solvency of the parties subscribing the bill. The charge also varies according to the state of the money market, and is very much influenced by the Bank Rate.

**163. DISHONOURED BILLS** are those which either the drawees refuse to accept, or the acceptors fail to pay or meet when due. From this transaction, "Oct. 24,

Terry's acceptance due this day returned dishonoured £75 6 8
Paid Notarial charges thereon .. – 3 4"

it would seem that Terry, on the maturity of this bill, was either unable or unwilling to fulfil his promise to pay you the above amount. Unless your banker had already done so, it would be your duty, immediately on the return of the bill, to place it in the hands of a **Notary Public** (N/P.) who is generally a solicitor, part of whose business it is to present dishonoured B/E. and note and protest their non-acceptance or non-payment.

**164. NOTING A BILL** is the presenting of a non-accepted or dishonoured bill and demanding acceptance or payment thereof, at the Bank where it is made payable, or to the acceptor himself by the Notary Public, *either on the day of its dishonour or on the next succeeding business day*, as an official **proof** of the **demand** having been duly made, and if it is not then accepted, or paid, he **notes** its non-acceptance, or non-payment by writing upon a slip, which he attaches to the bill, the reply he receives (such as *No Funds* ; *Refer to Drawer* ; *No Orders* ; &c.) so that should the bill be a

foreign one he may subsequently draw out a **protest,** which is a legal documentary declaration by a N/P.

The **measure of damages** on dishonour of a bill are—(*a*) the amount of the bill ; (*b*) interest from the time of presentment for payment if the bill is payable on demand, or from maturity in any other case ; (*c*) expenses of noting, or (when protest is necessary and has been extended) of protest. In case of a bill dishonoured abroad, in lieu of the above damages (*a*) re exchange ; (*b*) interest thereon till payment.

NOTING TICKET.

*J. NEWTON & SONS, Notaries,*

10, *Birchin Lane,*

*Noting* 3/4.

NO ORDERS TO PAY.

BANKER'S TICKET.

| | £ | s. | d. |
|---|---|---|---|
| Bill – – – – – | 75 | 6 | 8 |
| Noting – – – – | | 3 | 4 |
| Postages – – – – | | | 6 |
| Interest – – – – | | | |
| | 75 | 10 | 6 |
| Commission – – – | | 3 | 10 |
| | 75 | 14 | 4 |

Beckett & Co.

**165.** Terry's acceptance having been duly noted according to the requirements of the law, your next

duty would be, if you had received the bill by endorsation, to give immediate **notice of dishonour** in writing to the drawer and each endorser; as in the absence of such notice the drawer and endorser would be discharged from any liability respecting the bill. The object of giving such notice is to make them aware of the dishonour, so that you may, if necessary, have **recourse**—that is, call upon either the drawers or any of the endorsers, to pay the bill, together with the interest and expenses. As you were presumably the drawer and the only endorser in this instance, no notice of dishonour would be necessary.

**166. TRANSACTIONS ON DISHONOUR.** Although Terry's bill was dishonoured he still owes you the amount, and you will therefore debit his a/c. with the amount of the bill, as well as the **cost of noting,** thus :—

*Wolsey Terry* .....*Dr.* £75 10
*To B/R.* (*Dishonoured*) .....£75 6 8
„ *Cash* (*Noting*) ..... – 3 4

In *practical work* only the dishonoured bill would be journalised as above, a separate entry being made in the **Cash Book,** on the **Cr.** side in respect of noting, thus :—

*Oct.* 24. *By Wolsey Terry* (*Noting Exs.*) 3 4

If the bill had been sent to the **Bank** for collection, the Bank would have been debited and B/R. credited; therefore on dishonour and return of the bill you would journalise thus : *W. Terry, Dr. To Bank.* In *practical work,* however, the record would be made in the **Cash Book,** on the **Cr.** side, in the Bank column, thus :—

*By W. Terry* (*Dishonoured Bill and Noting*) £75 10

And where the bill has been purchased under discount, or received in payment of an a/c., you would debit the a/c. of the person from whom you bought or received the bill, thus :—*A. Blank Dr. To B/R.* Should you have **discounted** the bill with a Discount Co., or paid it away to a creditor, on its return, with notice of dishonour, you would owe the Discount Co., or Creditor the full amount thereof, and would therefore journalise :

*Wolsey Terry, Dr. To Discount Co., or A. Creditor.*

**Dr.** **Wolsey Terry. (Ex. 36).** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Oct. 10 | To Wool..... | 75 | 6 | 8 | Oct. 11 | By B/R..... | 75 | 6 | 8 |
| ,, 16 | ,, Wool ..... | 25 | 10 | – | ,, 23 | ,, Cash ..... | 75 | 15 | – |
| ,, 24 | ,, B/R. Dishonoured | 75 | 6 | 8 | ,, 28 | ,, Bad Debts ... | 25 | 5 | |
| ,, 24 | ,, Noting Charges .. | – | 3 | 4 | | | | | |
| | | £176 | 6 | 8 | | | £176 | 6 | 8 |

**167. RENEWED BILLS.** To renew a bill is to accept a new B/E. in place of a former one which the acceptor was unable to honour when due. Sometimes the acceptor of a bill finding himself unable to meet it on its maturity requests to be allowed to renew it. If the holder is satisfied as to the solvency of the acceptor he will comply with the request, on condition that the acceptor pays for the new bill stamp, and interest on the amount for the extended period. The transaction :—

"Nov. 28. J. Keen met his acceptance for £811 1 - due to-day with a 2 mos. Bill including Int. for £835 7 8."

shows that you have granted an extension of time to Keen. The old B/R. is cancelled and consequently goes **Out,** while a new one comes **In,** the interest being a gain.

In *practical work* the old B/R. and the interest would be debited to Keen in the Journal :—

*James Keen, Dr. To B/R.* .....£811 1 –
*James Keen, Dr. To Interest* ..... £24 6 8

while the new bill would be entered in the B/R. Book.

If you had received such a favour from a creditor, the entry would have been as follows :—

*B/P.* .....*Dr. To Creditor* £811 1 –
*Interest* .....*Dr. To Creditor* £24 6 8

and a new bill entered in the B/P. Book.

In the case of the renewal of a bill which has been previously **dishonoured,** as :—

"Nov. 18. J. Keen forwards his acceptance at seven days with noting expenses and Interest £811 1 –."

It would be journalised thus :—

*James Keen* .....*Dr. To Interest* £10 – –
*B/R.* .....*Dr. To James Keen* £811 1 –

In *practical work* James Keen would be debited with interest through the Journal :—*James Keen, Dr. To*

*Interest* £10, and the new bill would be recorded in the B/R. Book.

When a bill is partly paid, and **partly renewed** as :—

"A. Brown settles dishonoured bill for £400 by paying Cash £200, and accepting our draft at two months for £201 including interest."

an entry must be made in the Journal :—*A. Brown, Dr. To Interest*, £1 ; the Cash entered in the C/B. : *To A. Brown*, £200 ; and the B/R. recorded in the B/R. Book.

(Ex. 37). **Bills Receivable Book.** (Abridged Form).

| Date. 1907 | From whom received. | Term. | When due. | L.F. Cr. | Amount. £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Nov. 8 | Alfred Carr | 16 days | 27th Nov. | | 710 | – | – |
| „ 9 | James Keen | 3 days | 15th Nov. | | 800 | – | – |
| „ 14 | James Keen | 2 months | 17th Jan. | | 504 | 3 | 4 |
| „ 18 | James Keen | 7 days | 28th Nov. | | 811 | 1 | – |
| „ 22 | Robert Keld | 1 month | 24th Dec. | | 300 | – | – |
| „ 28 | James Keen | 2 months | 31st Jan. | | 835 | 7 | 8 |
| | Bills Receivable A/c...Dr. | | | | £3960 | 12 | – |

**Dr.** (Ex. 37). **Bills Receivable A/c.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Nov. 1 | To Balance b/f. | 1100 | – | – | Nov. 9 | By Alfred Carr | 600 | – | – |
| „ 30 | Sundries as per total of B/R. Book | 3960 | 12 | – | „ 11 | „ Cash | 500 | – | – |
| | | | | | „ 15 | „ James Keen | 800 | – | – |
| | | | | | „ 21 | „ Cash | 504 | 3 | 4 |
| | | | | | „ 23 | „ Cash | 710 | – | – |
| | | | | | „ 28 | „ James Keen | 811 | 1 | – |
| | | | | | „ 30 | „ *Balance c/d.* | 1135 | 7 | 8 |
| | | £5060 | 12 | – | | | £5060 | 12 | – |
| Dec. 1 | To Balance b/d. | 1135 | 7 | 8 | | | | | |

**Dr.** (Ex. 37.) **James Keen.** **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Nov. 1 | To Balance b/f. | 101 | 1 | – | Nov. 2 | By Cash | 101 | 1 | – |
| „ 3 | „ Goods | 1040 | – | – | „ 9 | „ B/R. | 800 | – | – |
| „ 12 | „ Con. from H. Vint | 145 | 11 | – | „ 9 | „ Cash | 240 | – | – |
| „ 11 | „ Con. from H. Vint | 180 | – | – | „ 14 | „ B/R. | 504 | 3 | 4 |
| „ 14 | „ Interest | 4 | 3 | 4 | „ 18 | „ B/R. | 811 | 1 | – |
| „ 14 | „ Coffee | 320 | – | – | „ 19 | „ Cash | 80 | – | – |
| „ 15 | „ B/R. | 800 | – | – | „ 28 | „ B/R. | 835 | 7 | 8 |
| „ 15 | „ Noting Charges | 1 | 1 | – | „ 30 | „ *Balance c/d.* | 266 | 12 | – |
| „ 18 | „ Interest | 10 | – | – | | | | | |
| „ 19 | „ Coffee | 201 | 1 | – | | | | | |
| „ 28 | „ B/R. | 811 | 1 | – | | | | | |
| „ 28 | „ Interest | 24 | 6 | 8 | | | | | |
| | | £3638 | 5 | – | | | £3638 | 5 | – |
| Dec. 1 | To Balance b/d. | 266 | 12 | – | | | | | |

**168. RETIRING BILLS PAYABLE.** If at any time you preferred to pay or **retire** one of your own acceptances before arriving at maturity, for the purpose of gaining **rebate;** (that is, the interest of the unexpired term), it would be called *retiring under discount.* The transaction :—" Nov. 16. Retired our bill due 30th Nov., by cheq., £717 5, and was allowed dis. £2 15," would be journalised thus :—

| | | | | |
|---|---|---|---|---|
| *Nov.* 16. | *B/P.* ..... *Dr.* | £720 | | |
| | *To Bank* ..... | | £717 | 5 – |
| | „ *Discount A/c.* ..... | | 2 | 15 – |

In *practical work* the entry in the **Cash Book** would be on the **Cr.** side ; discount in the first column thus :—

*Nov.* 16. *By B/P.*, £2 15 – ; £717 5 –

**169. REBATE ON BILLS DISCOUNTED** is an item which often occurs among the Liabilities in the B/S. of a Bank, and refers to *unmatured discounted bills on hand*, similar to the one mentioned in par. 161. This Rebate is the *difference* between the present or actual value of the bills (the amount for which they might be re-discounted) and their face value. Having debited the " Bills Discounted A/c." with the face value of the bills, it is necessary for the banker to ascertain the actual value of those still current before preparing the B/S., otherwise the assets would be over-estimated ; for a bill is worth its face value only when it matures. At the *closing* of the books each half-year the *whole* of the discount on such unmatured bills has *not* been *earned* by the Bank ; and the *portion unearned* must therefore be *carried forward* to the following half-year. For example, suppose that the Bank has discounted a 3 mos. bill for £1000, dated 28th Nov., 1916, on that date, at 5%, the profit, or discount thereon of £12 10 – would be *credited* to the Discount A/c. As this Bill would not mature until 2nd March, only £4 3 4 being one-third of the discount, would have been *actually earned* during the period ending 31st Dec. ; consequently the balance of £8 6 8, which is *earned* from 1st Jan. to 2nd

March, 1917, must be *debited* to the Discount A/c. for 1916, and brought forward on 31st Dec. as a *liability*. This adjustment is recorded in the Journal thus :—

1916. *Dec.* 31, *Discount A/c...Dr.* £8 6 8
1917. *Jan.* 1, *To Discount A/c.....* £8 6 8

**Dr.** **Discount A/c.** **Cr.**

| 1916 | | £ | s. | d. | 1916 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Dec. 31 | To Balance c/d. .. | 8 | 6 | 8 | Nov. 29 | By B/R. ..... | 12 | 10 | – |
| | ,, *Transfer to P. & L. A/c.* | 4 | 3 | 4 | | | | | |
| | £ | 12 | 10 | – | | £ | 12 | 10 | – |
| | | | | | 1917 | | | | |
| | | | | | Jan. 1 | By Discount b/d. | 8 | 6 | 8 |

**170.** In **practical work** it is found necessary to keep two subsidiary books or Special Journals known as **BILL BOOKS ;** one for recording B/R. and the other for B/P., although in some offices only one volume is used, B/R. being entered at one end and B/P. at the other end of the same book. (See next page.)

In working **exercises** containing transactions in bills you will find it convenient to arrange the B/R. Book underneath the Dr. side of the Cash Book, and the B/P. Book underneath the Cr. side of the C/B.

**171. THE BILLS RECEIVABLE JOURNAL** or **BOOK** must contain at least, the date of the bill, the name of the acceptor, the term, when due, ledger folio, and the amount. Another usual column is headed *How disposed of*, in which you would insert one of the following :—*Paid to Bank, 2nd May ; Paid to Joel Day, 5th June ; Discounted 9th July,* &c. As the persons from whom you receive bills are your debtors, each amount must be **posted** to the **Cr. side** of its respective personal a/c. in the Ledger.

*Date ; By B/R. ; Fol. ; Amount.*

As this book contains particulars of bills coming **in,** the **total** thereof must therefore be posted to the **Dr. side** of the B/R. A/c. in the Ledger by entering the :—

*Date , To Sundries B/B. ; Fol. ; Amount.*

**BILLS RECEIVABLE BOOK.** (Ex. 36, p. 187).

| Date. | From whom received. | Term or Tenor. | When due. | Led. Fol. Cr. | Amount. £ | s. | d. |
|---|---|---|---|---|---|---|---|
| 1907 Oct. 8 | Bruce Astor ..... | 1 mo. | Nov. 11 | | 500 | - | - |
| „ 11 | Wolsey Terry ... | 10 days | Oct. 24 | | 75 | 6 | 8 |
| „ 17 | Bruce Astor ..... | 3 mos. | Jan. 20 | | 250 | 15 | 6 |
| „ 26 | Bruce Astor ..... | 3 mos. | „ 29 | | 375 | - | - |
| | | | B/R. A/c....Dr. | £ | 1201 | 2 | 2 |

**172. THE BILLS PAYABLE JOURNAL** or **BOOK** must contain at least the date of acceptance, to whom given, the term, ledger folio, when due, and the amount. The persons to whom you give bills being your creditors, each amount must be **posted** to the **Dr. side** of its personal a/c. in the Ledger by entering the—

*Date ; To B/P. ; Fol. ; Amount.*

This book containing particulars of Bills going out must therefore have its **total** posted to the **Cr. side** of the B/P. A/c. in the Ledger, by entering the :—

*Date ; By Sundries B/B. ; Fol. ; Amount.*

**BILLS PAYABLE BOOK.** (Ex. 36, p. 187).

| Date. | To whom given. | Term or Tenor. | When due. | Led. Fol. Dr. | Amount. £ | s. | d. |
|---|---|---|---|---|---|---|---|
| 1907 Oct. 5 | Seth Riley ..... | 21 days | Oct. 29 | | 400 | - | - |
| „ 17 | Seth Riley ..... | 2 mos. | Dec. 20 | | 300 | - | - |
| | | | B/P. A/c....Cr. | £ | 700 | - | - |

**173.** When **Interest** is involved in transactions relating to Bills be careful to journalise the same.

A Bill Book may be ruled so as to accommodate not only the detailed record of the bills, but also the **account** as per the second example given on the next page of a **Bills Receivable Ledger.**

## BILLS RECEIVABLE BOOK.

| No. of Bill. | Date Recd. | From whom Received. | Drawers. | Acceptors | Where Payable. | Date of Bill. | Term or Tenor. | When Due. Jan. | Feb. | Mar. | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | S.L. Fol. Cr. | Amount of Bill. | How disposed of. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1905 | | | | | | | | | | | | | | | | | | | | | |
| 47 | Feb. 15 | H. Bates | Self | H. Bates | Lloyds | Feb. 12 | 3 mos. | | | | | 15 | | | | | | | | 18 | £840 | Discounted Parr's Bank. |
| 48 | Mar. 15 | Do. | Do. | Do. | Do. | Mar. 12 | 4 mos. | | | | | | | 15 | | | | | | 18 | 1300 | Do. |
| 49 | May 16 | T. Kay | Do. | T. Kay | Coutts | May 11 | 3 mos. | | | | | | | | 14 | | | | | 20 | 1000 | |
| | | | | | | | | | | | | | | | | | | | | | £3140 | B/R. A/c. Dr. |

182

## BILLS RECEIVABLE LEDGER. Dr. Cr.

| No. of Bill. | Date Recd. | From whom Recd. | Where Payable. | Date of Bill. | Term or Tenor. | When Due. Jan. | Feb. | Mar. | April | May | June | July | Aug | Sept. | Oct. | Nov. | Dec. | S.L. Fol. Cr. | Amount of Bill. | How disposed of. | Date when Cash | C.B. Fol. Dr. | Amount o Cash and Discount. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | | | | | | |

## Exercise 34.

A. Pupil's affairs on the 1st August, 1907, stood as follows—N.B. (*See top of next page.*)

| | | | | |
|---|---|---|---|---|
| | Cash in hand £47 15, and at Bank ..... | £987 | 5 | – |
| | Stock of Cloth ..... | 675 | – | – |
| | J. Salt's Promissory Note due 15th August | 148 | – | – |
| | Lewis Mart's Bill due 23rd Aug. ..... | 50 | – | – |
| | Balance due from Matthew Paul..... | 72 | – | – |
| | „ to Merchant & Co. ..... | 107 | 10 | – |
| | Acceptance given to A. Brown ..... | 100 | – | – |
| | P/N. given to D. Jones, due 28th August.. | 115 | – | – |
| | Capital ..... | 1657 | 10 | – |
| Aug. 1. | Sold to Alfred Brand, Goods ..... | 125 | – | – |
| „ 1. | „ Goods for cheque ; sent it to Bank (91) | 56 | – | – |
| „ 1. | „ to Lewis Mart, Goods ..... | 95 | – | – |
| „ 2. | Bought of Merchant & Co., Goods ..... | 254 | – | – |
| „ 4. | Paid Merchant & Co., cheque £105 – – | | | |
| | They allow discount ..... 2 10 – | 107 | 10 | – |
| „ 5. | I honoured my acceptance to A. Brown, by forwarding cheque for (146) ..... | 100 | – | – |
| „ 6. | Sold to Matthew Paul, Goods ..... | 87 | 15 | – |
| „ 6. | Received from Matthew Paul, Cash £71 2 – | | | |
| | I allowed him discount ..... – 18 – | 72 | – | – |
| „ 10. | Received from A. Brand his acceptance at 1 mo. for £100, and cash for £25 (146 & 171) | 125 | – | – |
| „ 14. | Bought Goods and paid cheque for them.. | 73 | 10 | – |
| „ 15. | Sold Goods for cash up to this date ..... | 158 | 5 | – |
| „ 15. | Paid into Bank (90)..... | 250 | – | – |
| „ 15. | J. Salt paid cash to meet his P/N. (146) .. | 148 | – | – |
| „ 16. | Paid into Bank (90)..... | 148 | – | – |
| „ 18. | Accepted Merchant's draft at 3 mos. (146 & 172) | 200 | – | – |
| „ 18. | Lewis Mart paid to my Bank A/c. ..... | 80 | – | – |
| „ 18. | Sold to Alfred Brand, Goods ..... | 96 | – | – |
| „ 18. | „ Matthew Paul, Goods ..... | 62 | 5 | – |
| „ 23. | Lewis Mart duly met his bill at the Bank (146) | 50 | – | – |
| „ 24. | Received from M. Paul, cash £35, and his acceptance at 2 mos. for £75 (146 & 171) | 110 | – | – |
| „ 28. | My Banker paid cash to D. Jones to lift my P/N. due to-day (142, 146)..... | 115 | – | – |
| „ 29. | L. Mart is insolvent ; I receive for his debt of £15 a composition of 12/6 in the £ (74&95*a*) | 9 | 7 | 6 |
| „ 30. | Sold Goods for Cash up to this date ..... | 176 | 10 | – |
| „ 30. | Bought Do. ..... | 97 | 15 | – |
| „ 31. | Paid into Bank (90)..... | 140 | – | – |
| „ 31. | Trade Exs. paid by Cash, £7 15s. ; by Cheq. | 42 | 5 | – |

*Estimated value of Goods in Stock*, £396.

**Answer.**—*Trial Balance : totals* £4972 10 – ; *balances* £2769 17 - ; *Gross Profit*, £152 10 - ; *Net Profit*, £98 9 6 ; *Bal. of Cap.*, £1755 19 6 ; *Total of B/S.*, £2009 19 6.

**N.B.**—Journalise the Opening Entries of Ex. 34 thus :—

| 1907. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *Aug.* 1. | *Cash* ..... | *Dr.* | £47 | 15 | – | | | |
| | *Bank* ..... | „ | 987 | 5 | – | | | |
| | *Cloth* ..... | „ | 675 | – | – | | | |
| | *Bills Receivable*..... | „ | 198 | – | – | | | |
| | *Matthew Paul*..... | „ | 72 | – | – | | | |
| | *To Merchant & Co.* ..... | | | | | 107 | 10 | – |
| | „ *Bills Payable* ..... | | | | | 215 | – | – |
| | „ *A. Pupil's Capital A/c.* | | | | | 1657 | 10 | – |
| | | | £1980 | – | – | £1980 | – | – |

### Supplementary Exercise 34a.

On 1st Jan., 1907, David Swanson's state of affairs was as follows :—Cash at Office £28, at Bank £300, owing by William McLeod £40, James Hendry £164, John Graves £70, Samuel Hall £50. Goods in stock valued at £300. He owed David Evans £160, Edward Kellett £52.

| 1907. | *Transactions.* | £ |
|---|---|---|
| Jan. 2. | Received from J. Hendry his acceptance at 1 month for (146 & 171) ..... | 100 |
| „ 3. | Sold to George Lee, Goods ..... | 70 |
| „ 5. | Gave David Evans my acceptance at one month for (146 & 172) ..... | 90 |
| „ 8. | Purchased Goods from Walter Marshman ..... | 67 |
| „ 13. | S. Hall gave me his P/N. at 1 month for (146 & 171) | 50 |
| „ 20. | Gave W. Marshman P/N. at 1 month for (146 & 172) | 67 |
| „ 23. | Paid David Evans by Cheque ..... | 50 |
| „ 25. | Sold Goods on credit to Samuel Hall ..... | 200 |
| „ 27. | Wm. McLeod handed me his acceptance at 2 mos. | 40 |
| „ 30. | Sent Edward Kellett acceptance at 2 months .... | 52 |
| „ 31. | Paid Trade Expenses for month in cash ..... | 25 |
| „ 31. | Drew Cheque for Private Expenses (78) ..... | 40 |
| Feb. 1. | Sold Goods to John Graves ..... | 40 |
| „ 5. | Bank received amount of J. Hendry's acceptance due to-day (146)..... | 100 |
| „ 8. | Paid my acceptance due this day by cheque (146) | 90 |
| „ 10. | Purchased Goods from Edward Bailey ..... | 90 |
| „ 13. | Accepted Bailey's draft at 3 months for (146 & 172) | 90 |
| „ 15. | Sold Goods to John Graves ..... | 30 |
| „ 16. | S. Hall pays amount of P/N. due this day into my Bank (146) ..... | 50 |
| „ 20. | John Graves sends his bill at 2 mos. (146 & 171).. | 140 |
| „ 23. | Honoured my P/N. due to-day by cheque (146).. | 67 |
| „ 24. | Purchased Goods from Edward Kellett ..... | 100 |

| | | £ |
|---|---|---|
| Feb. 27. | Drew from Bank for Office Cash ..... | 30 |
| „ 28. | Paid Trade Expenses from Office Cash ..... | 25 |
| „ 28. | Drew Cheque for Private Expenses (78) ..... | 30 |
| „ 28. | Allow Interest on Capital for 2 months at 5% (71). | |
| | *Goods in stock* £300. | |

**Answer.**—*T.B. totals* £2691 3 4 ; *balances* £1348 3 4. *Gross Profit* £83 ; *Net* £26 16 8 ; *Bal. of Cap.* £703. *Total of B/S.* £965.

## Supplementary Exercise 34b.

On 1st March, 1907, David Swanson's state of affairs was as follows :—Cash at Office £8, at Bank £143, Stock of Goods £300. McLeod's acceptance due 30th March, £40, Graves' Bill due 23rd April, £140 ; owing by James Hendry £64, Samuel Hall, £200, George Lee £70. **Owing to** David Evans £20, Edward Kellett £100 ; B/E. granted to Edward Kellett, due 2nd April £52, and Edward Bailey, due 16th May, £90.

| 1907. | *Transactions.* | £ |
|---|---|---|
| Mar. 1. | Drew 2 months' Bill on J. Hendry, which he accepted for (146 & 171)..... | 64 |
| „ 2. | Sold Goods to John Graves ..... | 80 |
| „ 3. | Lee accepted my draft at 3 months for (146 & 171) | 70 |
| „ 5. | Bought Goods from Edward Bailey ..... | 150 |
| „ 7. | Accepted Kellett's draft at 1 month for (146 & 172) | 70 |
| „ 9. | Discounted Hendry's Bill at Bank for £63 10. (161) | 64 |
| „ 10. | Sold John Graves Goods..... | 70 |
| „ 10. | John Graves sent me his P/N. at 1 mo. (146 & 171) | 100 |
| „ 15. | Bought Goods from Isaac Barrow ..... | 100 |
| „ 19. | Edward Bailey drew on me a 2 months' bill for.. | 120 |
| „ 19. | Sold Goods for Cash and paid into Bank..... | 90 |
| „ 29. | Drew from Bank for Office Cash ..... | 35 |
| „ 30. | Paid Salaries and Sundry Expenses for month.... | 30 |
| „ 30. | McLeod honoured his bill due to-day by cheq. (146) | 40 |
| Apr. 2. | Met acceptance due to Kellett to-day by cheque (146) | |
| „ 9. | Retired my acceptance to E. Bailey by cheque, Rebate 10/- (168) ..... | 120 |
| „ 10. | Paid E. Kellett's draft due to-day by cheque (146) | [illegible] |
| „ 12. | Sold Goods to Gavin Hamilton ..... | 60 |
| „ 13. | J. Graves met his P/N. ; lodged proceeds in Bank (146) ..... | 100 |
| „ 17. | Returned Goods to Isaac Barrow not according to sample (113) ..... | 6 |
| „ 19. | Discounted George Lee's acceptance ; cash received lodged in Bank, Discount charged 7/- (161) .... | 70 |
| „ 19. | Drew on Samuel Hall at 2 months for (146 &171) | 150 |
| „ 19. | Goods sold to James Hendry ..... | 75 |

| | | £ |
|---|---|---|
| Apr. 23. | J. Graves' Bill due to-day received by chèque (146) | 140 |
| ,, 25. | Drew cheque for Private Expenses ..... | 40 |
| ,, 27. | Handed E. Kellett my P/N. at one mo. for balance | 30 |
| ,, 29. | Drew from Bank for Office Cash ..... | 30 |
| ,, 30. | Sold Goods to Fred Mitchell for Cash ..... | 70 |
| ,, 30. | Paid Trade Expenses for month..... | 25 |
| | *Stock*, £250. | |

**Answer.**—*T.B. totals* £3156 17 -; *balances* £1418 10 -. *Gross Profit*, £151; *Net Profit*, £95 13 -; *Balance of Cap.*, £758 13 -; *Total of B/S.*, £1022 13 -.

**Exercise 35.**

| 1907. | | £ | s. | d. |
|---|---|---|---|---|
| Sept. 1. | My books were opened with these balances: Cash in hand £75, in Bank £850, Goods £925, B/R. £132 15, B/P., due 15th Sept. £246, Aldred Boyd owes me £67 10, Neal Dow, of Chicago, owes me £315. I owe Fritz Basile, of Paris, £100; I owe Dore & Co. ..... | 154 | – | – |
| Sept. 1. | Purchased Goods from Hy. Clay, Chicago.. | 204 | 5 | 6 |
| ,, 2. | Sold Edward Frome, Goods ..... | 28 | 5 | – |
| ,, 2. | Bought of Dore & Co., Goods ..... | 112 | 10 | – |
| ,, 5. | Sold Frank Gray, Goods ..... | 37 | 15 | – |
| ,, 5. | Pd. Dore & Co., Cash £50; My Prom. Note at 2 mos. for £100; allowed dis. £4 (146 & 172) | 154 | – | – |
| ,, 10. | Drew from Bank (90) ..... | 125 | – | – |
| ,, 10. | Bought Goods for Cash ..... | 136 | – | – |
| ,, 11. | Sold Aldred Boyd, Goods ..... | 48 | 15 | – |
| ,, 11. | Sold Neal Dow, Goods ..... | 56 | 10 | – |
| ,, 12. | Recd. from Aldred Boyd, £97 10s. Dis. 50/- | 100 | – | – |
| ,, 14. | Recd. acceptance from N. Dow, due 20th Nov. | 75 | – | – |
| ,, 14. | Sold Goods for Cash up to this date ..... | 205 | – | – |
| ,, 15. | Paid into Bank..... | 250 | – | – |
| ,, 15. | B/P. due to-day, paid by cheque (146) ... | 246 | – | – |
| ,, 20. | Sold Edward Frome, Goods ..... | 64 | 16 | – |
| ,, 20. | Forwarded H. Clay, draft at 60 days after sight upon Neal Dow, for (149) ..... | 204 | 5 | 6 |
| ,, 22. | Sold Goods to Tom Fox for a P/N. @ 3 mos. | 72 | 10 | – |
| ,, 23. | Edward Frome pays £58 10s. Dis. 30/- .. | 60 | – | – |
| ,, 25. | A. Boyd becomes insolvent and pays a composition of 12/- in the£; I receive (74,95*a*) | 9 | 15 | |
| ,, 25. | B/R. duly met in Cash (146) ..... | 132 | 15 | – |
| ,, 26. | Bot. with Cash a bill on Paris and sent same to Fritz Basile in settlement of a/c. (157) | 100 | – | – |
| ,, 30. | Sold Goods for Cash up to this date ..... | 184 | 5 | – |
| ,, 30. | Paid into Bank..... | 260 | – | – |
| ,, 30. | Pd. Exs. this month by cheque £25, by cash | 7 | 10 | – |
| | *Value of Goods unsold*, £755. | | | |

**Answer.**—*Trial Balance: totals* £5344 2 -; *balances* £2775 11 -. *Gross Profit*, £75 0 6; *Net Profit*, £36 0 6; *Bal. of Cap.*, £1901 5 6; *Total of B/S.*, £2113 15 6.

**Exercise 36.** (See page 181.)

Albert and Leo Pupil's Capital of £2000 each consists of Cash £3000 ; Wool £1000. Profits to be divided equally. 1st Oct., 1907.

| | | | | | |
|---|---|---|---|---|---|
| Oct. 1. | Paid into Bank | £2500 | – | – |
| ,, 1. | Paid Cash, Carriage on Wool (75) | 10 | 5 | 9 |
| ,, 3. | Bought of Seth Riley, Wool | 715 | 10 | 6 |
| ,, 4. | Sold to Bruce Astor, Wool | 557 | 12 | 6 |
| ,, 5. | Pd. S. Riley, by Cheq., £310 ; Accepted his draft at 21 days, £400 ; Dis. £5 10 6 (146) | 715 | 10 | 6 |
| ,, 8. | Recd. of B. Astor, Cash £50 ; his acceptance at 1 mo. £500 ; Dis. £7 12 6 (146 & 171) | 557 | 12 | 6 |
| ,, 9. | Bought of Seth Riley, Cottages (81) | 965 | – | – |
| ,, 9. | Discounted B. Astor's acceptance, credited £497 18 4 ; Dis. charged £2 1 8 (161) | 500 | – | – |
| ,, 10. | Sold Wolsey Terry, Wool | 75 | 6 | 8 |
| ,, 11. | Bought £1300 Canal Shares @ £75, and pd. for them by cheque (83) | 975 | – | – |
| ,, 11. | Received of Terry his 10 days' Acceptance | 75 | 6 | 8 |
| ,, 14. | Received Cash for Sale of Waste Wool | 12 | 5 | 7 |
| ,, 15. | Pd. in Cash, Legal Charges on Purchase of Cottages (*Debit Cottages & Credit Cash*) | 20 | 10 | 6 |
| ,, 16. | Sold Wool to Wolsey Terry | 25 | 10 | – |
| ,, 16. | Do. Bruce Astor | 250 | 15 | 6 |
| ,, 16. | Do. for Cash | 75 | 12 | 9 |
| ,, 17. | B. Astor accepted our draft at 3mos. (146&171) | 250 | 15 | 6 |
| ,, 17. | Remitted S. Riley by Cheq., £165 ; and our Acceptance @ 2 mos. £300 (146 & 171) | 465 | – | – |
| ,, 21. | Paid Wages in Cash | 7 | 8 | 9 |
| ,, 22. | Discounted B. Astor's Acceptance, pd. proceeds into Bank £245 ; Dis. charged £5 15 6 | 250 | 15 | 6 |
| ,, 24. | Wolsey Terry's acceptance dishon'd (166) | 75 | 6 | 8 |
| | Paid Notarial Charges | – | 3 | 4 |
| ,, 25. | Sold for Cash £400 Canal Shares @ £80 (83) | 320 | – | – |
| ,, 25. | Sold four Cottages to B. Astor (81) | 430 | – | – |
| ,, 26. | Bruce Astor paid into my Banking a/c. | 125 | – | – |
| | And accepted draft at 3 mos. for (146 & 171) | 375 | – | – |
| ,, 28. | Terry has become insolvent ; we recd. a Composition of 15/- in the £, pd. to Bank (74) | 75 | 15 | – |
| ,, 29. | Our acceptance duly hon'rd at Bank (142) | 400 | – | – |
| ,, 29. | Recd. Cash for Rent £26 5 – (81) | | | |
| ,, 29. | Do. Canal Dividend 15 – – | — 41 | 5 | – |
| ,, 30. | Drawn from Bank on Private a/c. :—(78) | | | |
| | A. Pupil and L. Pupil, each £12 10 – | 25 | – | – |
| ,, 31. | Credit each partner Int. on Cap., £8 13 4 | 17 | 6 | 8 |

*Value of* £900 *Canal Shares* @ £77, £693 ; *Cottages* £600 ; *Wool* £800.

**Answer.**—*Trial Balance : totals* £14923 18 - ; *balances* £5925 14 8. *Gross Profit on Wool*, £81 12 6 ; *on Canal Shares*, £38 ; *on Cottages*, £44 9 6. *Net Profit*, £135 1 8. *Balance of each Capital A/c.*, £2063 14 2. *Total of B/S.* £4997 8 4.

## CONSIGNMENTS.

**174. CONSIGNMENTS sent out.** To send goods "on consignment" differs from sending them in fulfilment of "an order," in that there is generally no order at all. A "consignment" is a transaction where goods are sent to another town, but more frequently to a foreign country, to an agent known as a **factor,** who, for a commission, on the amount realised, sells such a "consignment" at the best price obtainable. When you (the *consignor*) "consign" goods you merely transfer them from your own warehouse to that of the factor (the *consignee*) for sale, in the hope of making a profit. Such an **outward** consignment is sometimes called an **Adventure,** because it is something risked;

A special subsidiary book, known as the **Consignment Book Outwards,** should be kept for recording such transactions; on a plan similar to the Sales Book. After entering full particulars of the "consignment" therein, you would copy from it the invoice to be sent to the factor, the consignee, who, although he is not the purchaser, must be supplied with a **pro forma invoice** (for form's sake), so that he may have information as to the value of, and charges upon, the goods.

Transaction "Nov. 17. Sent to Robert Keld, Newcastle, to be sold on our a/c., 84 chests Congou, 7200 at 2/- lb. £720."

Not having sold the tea to Keld you cannot charge his personal a/c. with the amount. He merely holds and warehouses the goods *on your behalf*, and therefore does not owe you for their value. You must open and debit a **special goods a/c.** entitled *Consignment of Tea to R. Keld, Newcastle.* This a/c. must be dealt with like a separate Goods A/c. You will debit it with the cost of the goods, also all the charges and expenses incurred in respect thereof, which increase the cost of the consignment, such as carriage, cartage, freight, storage, insurance, duty, commission, &c.; and credit

it with all receipts from Keld in respect of sales effected by him, also for any portion of the goods returned by him. The entry for the above transaction would, in *practical work*, be made in the Consignment Book and duly posted from there. In theory it would be journalised thus :—

*Consignment of Tea to R. Keld..Dr.* £720.
*To Tea A/c.....*£720.

The Transaction :—

"Nov. 19. Paid in Cash **carriage** on Tea consigned to Newcastle .....£10 13 4"

would either be entered in the C.B. or journalised :—

*Consignment of Tea to R. Keld (Carr.) Dr.* £10 13 4
*To Cash .....*£10 13 4

It is a common practice for the *consignee* to **advance** to the *consignor* on security of the consignment, by means of a B/E., a sum of money, not exceeding three-fourths the value of the goods ; for instance :—

"Nov. 22. Received from Robert Keld, bill at one month, as an advance on Consignment of Tea £300."

As Keld, the *consignee*, may never sell this Tea, this amount, although advanced by him to you as against the goods, must *not* be credited to the Consignment A/c., but to Keld's **personal a/c.** In case the Tea should be returned to you, then Keld would be your creditor for £300. This B/R. from Keld you would either enter in the Bills Receivable Book, or journalise thus :—

*B/R. Dr.* £300. *To Robert Keld* £300.

If, however, the above amount had represented a **sale** by Keld of £300 worth of the Tea consigned, and he had remitted a bill for the amount, then you would have entered the B/R. in the Bill Book, *and* journalised thus :—

*Robert Keld Dr. To Consignment of Tea* £300.

**175. ACCOUNT SALES (A/S.)** On sale of the tea R. Keld would render to you particulars thereof known as "Account Sales," which is a detailed statement of goods sold on commission, sent by a *consignee* to the *consignor* of goods. It resembles an Invoice in showing

the weight of the goods sold, the prices realised, and the net result after deducting the freight, commission, and all other expenses attending the sale. An A/S. is also delivered to a merchant by his broker, when the latter has sold goods at a public auction on the merchant's a/c. In this case the weight of each lot sold, the prices obtained, and the net proceeds of the sale would be shown, after deducting the cost of advertising, the sale expenses, and the broker's commission.

**176.** An **Account Sales Book** of some description should be kept for recording the sales of goods sent "on consignment." It may either be a separate book, or the *Consignment Book Outwards* could be used; the left-hand page being used for details of the goods sent, and the right-hand page reserved for details of the result—the Account Sales. Or an **Account Sales Guard Book** might be employed, similar to the *Bought Guard Book* explained on page 87.

**Account Sales of 84 Chests Congou sold on a/c. of Messrs. Pupil Bros., Huddersfield.**

| R. K. | | | Per lb. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| 18/4 | 42 | *Congou* 3600 *lbs. net* | 2/3 | | | | 405 | - | - |
| | 42 | *Do.* 3600 ,, | 2/4 | | | | 420 | - | - |
| | | | | | | | 825 | - | - |
| | | *Charges* | | | | | | | |
| | | *Insurance* ..... | | 8 | - | - | | | |
| | | *Cartage* ..... | | 2 | 15 | - | | | |
| | | *Storage* ..... | | 9 | 10 | - | | | |
| | | *Commission @ 3%* | | 24 | 15 | - | 45 | - | - |
| | | *Net Proceeds* .. | | | | | 780 | - | - |
| | | *Remitted Bill on a/c.* | | | | | 300 | - | - |
| | | | | | | | £480 | - | - |

*E. & O. E.*

*Newcastle, 25th November, 1907.*

*ROBERT KELD.*

**177.** The receipt by you of the above A/S. is a "transaction," and would be described thus :—

"Nov. 26. Received from R. Keld, Newcastle, A/S. showing that Tea had realised net £780."

Having sold your Tea, Keld is now indebted to you for the *net* amount realised, therefore debit his **personal** a/c., and journalise as follows :—

*Robert Keld* .....*Dr.* £780
*To Consignment of Tea to Keld*....£780.

If Keld had not made a remittance to you on a/c. before the sale of the Tea, and when forwarding his A/S. had enclosed a cheque or sight draft in payment of the whole of the net proceeds, a personal a/c. with Keld would *not* have been absolutely necessary, in which case the transaction would have been stated thus :—

"Received from R. Keld, Newcastle, A/S. showing that Tea had realised net £780, and enclosing his cheque for the amt." and would either have been entered in the Cash Book :—
"*To Consignment of Tea to R. Keld*, £780," or journalised :—
*Cash Dr.* £780. *To Consignment of Tea to R. Keld*, £780."

**178.** When freight, carriage, insurance, &c., are due but not actually paid, open a Suspense A/c. for these **outstanding expenses,** and credit it with the total of the various charges. In **closing outward** Consignment A/cs., when the whole of the goods consigned have been sold and A/S rendered to you, the *difference* is either a profit or a loss, and must consequently be transferred to the P. & L. A/c. Should the whole or any part of the consignment remain **unsold,** the value of such *stock* should be credited to the a/c., which is balanced in the same way as a goods a/c., the *difference* being carried to the P. & L. A/c. and the balance or stock brought down.

**Dr. Consignment of Tea to R. Keld. (Ex. 37). Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Nov. 17 | To Tea ..... | 720 | - | - | Nov. 26 | By Account Sales | 780 | - | - |
| ,, 19 | ,, Carriage ..... | 10 | 13 | 4 | | | | | |
| ,, 30 | ,, *Net Profit to P. & L. A/c.* | 49 | 6 | 8 | | | | | |
| | | £780 | - | - | | | £780 | - | - |

**Dr.** **Robert Keld.** (Ex. 37). **Cr.**

| 1907 | | £ | 1907 | | £ |
|---|---|---|---|---|---|
| Nov.26 | To Consignment of Tea ..... | 780 | Nov.22 | By B/R. ..... | 300 |
| | | | ,, 30 | ,, *Balance...c/d.* | 480 |
| | £ | 780 | | £ | 780 |
| Dec. 1 | To Balance ..b/d | 480 | | | |

**Dr.** **Consignment to (H. Poole) Smyrna.** **Cr.**

| 1890 | | £ | s. | d. | 1890 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Balance ...b/f | 680 | - | - | Jan. 15 | By Draft..... | 750 | 6 | 8 |
| ,, 6 | ,, Angles ..... | 640 | - | - | ,, 28 | ,, Draft..... | 420 | - | - |
| ,, ,, | ,, Freight Chgs. | 56 | 2 | 9 | ,, 31 | ,, *Bal.(Stock)c/d.* | 338 | 4 | 6 |
| ,, 30 | ,, NET PROFIT | 132 | 8 | 5 | | | | | |
| | £ | 1508 | 11 | 2 | | £ | 1508 | 11 | 2 |
| Feb. 1 | To Balance ..b/d | 338 | 4 | 6 | | | | | |

**179. CONSIGNMENTS received.** An **inward** consignment is the transference of goods to you, the *consignee*, by the *consignor*, for sale on commission.

Transaction :—" Nov. 4. Received consignment from H. Vint, Java, of 40 tierces of coffee, invoiced at £600."

There are **two methods** of dealing with Consignments *Inwards* ; the theoretical and the practical. Theoretically **no entry** is needed in your Ledger on the receipt of a consignment of goods such as the above. You have *not ordered* and are therefore not liable for the value of the goods until sold. Although no a/c. is required to be opened in the Ledger, you must, however, *record* the receipt by you of the consignment in the **Consignment Book Inwards;** the particulars being obtained from the *pro forma* invoice supplied by the *consignor*.

Transaction :—" Nov. 6. Paid in cash Freight on Consignment from H. Vint.....£30 6 8."

Now that you have made a payment in respect of Vint's consignment you must open a **personal** a/c. with him, and debit him with all payments made by you in respect of the consignment of coffee, and credit him

with the amount realised on sales. Either enter in the C/B., "*By Hugh Vint, (Freight)*" or journalise :—

"*Hugh Vint (Freight)....Dr. To Cash* £30 6 8."

Transaction :—"Nov. 9. Remitted a Bill on a/c. of consignment of Coffee for £400" would either be entered in the B/P. Book or journalised "*Hugh Vint Dr. To B/P.* £400."

Transaction : "Nov. 12. Sold Keen, Coffee from Vint, £145 11."

Transaction : "Nov. 14. Sold Keen, Coffee from Vint, £180."

In both cases journalise, *debiting* Keen and *crediting* Vint.

Transaction : "Nov. 15. Placed to our own a/c. H. Vint's Coffee, £210."

Enter either in Purchases Book or journalise :—

*Coffee A/c. Dr. To Hugh Vint.*

Transaction : "Nov. 25. Forwarded A/S. of Coffee to H. Vint. Commission charged..£26 15 8."

This commission is your profit for effecting the sales, therefore journalise, *debiting* H. Vint and *crediting* **Commission A/c.** The *difference* of the latter A/c. must be carried to the P. & L. A/c. when closing the books.

From the above transactions you will see that an **inward** consignment is dealt with exactly like a **personal** a/c. ; and the *difference* represents either a balance due to you or by you.

**Dr.** **Hugh Vint.** (Ex. 37). **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Nov. 6 | To Freight ..... | 30 | 6 | 8 | Nov. 12 | By Jas. Keen ... | 145 | 11 | - |
| ,, 9 | ,, B/P. ..... | 400 | - | - | ,, 14 | ,, Jas. Keen ... | 180 | - | - |
| ,, 25 | ,, Commission .. | 26 | 15 | 8 | ,, 15 | ,, Coffee A/c. .. | 210 | - | - |
| ,, 30 | ,, *Balance* ...c/d | 78 | 8 | 8 | | | | | |
| | | £ 535 | 11 | - | | | £ | 535 | 11 | - |
| | | | | | Dec. 1 | By Balance...b/d | | 78 | 8 | 8 |

The **practical method** of dealing with a Consignment Inwards is to open a **Consignment A/c.** and *debit* it with the invoice value of the goods ; at the same time *crediting* the **personal A/c.** of the consignor. This personal a/c. should be debited with any *expenses* incurred in connection with the consignment, as well as with any remittance to the consignor.

On the sale of the goods the purchaser would be debited and the Consignment A/c. credited. The Consignment A/c. is **closed** by carrying the *difference* thereof, representing the gross profit or gross loss, to the **personal a/c.** of the consignor, as shown below.

**Dr.** **Consignment from H. Vint** (Ex. 37). **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Nov. 4 | To Coffee ..... | 600 | - | - | Nov. 12 | By Sale, J. Keen | 145 | 11 | - |
| | | | | | ,, 14 | ,, Sale, J. Keen | 180 | - | - |
| | | | | | ,, 15 | ,, Sale, Selves .. | 210 | - | - |
| | | | | | ,, 30 | ,, *Transfer to H. Vint's A/c.* | 64 | 9 | - |
| | | £ 600 | - | - | | | £ 600 | - | - |

**Dr.** **Hugh Vint** (Ex. 37). **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Nov. 6 | To Freight ..... | 30 | 6 | 8 | Nov. 4 | By Consignment of Coffee ... | 600 | - | - |
| ,, 9 | ,, B/P..... | 490 | - | - | | | | | |
| ,, 25 | ,, Commission .. | 26 | 15 | 8 | | | | | |
| ,, 30 | ,, Transfer from Consignment A/c. | 64 | 9 | - | | | | | |
| ,, 30 | ,, *Balance* ...c/d | 78 | 8 | 8 | | | | | |
| | | £ 600 | - | - | | | £ 600 | - | - |
| | | | | | Dec. 1 | By Balance...b/d | 78 | 8 | 8 |

**180. DUTIES.** As a means of revenue for the country two kinds of taxes are imposed on merchandise and manufactures. (1) Duties on certain goods produced and consumed at home, called *Excise*, and (2) Duties imposed on goods on their importation into or exportation out of a country, called *Customs*. Such duties are imposed on the basis of a schedule or list issued by the Government, called a **Tariff**, and collected by Customs and Excise officers, the payment of excise duties being witnessed by a document called a *Permit*.

If you purchased Whiskey produced at a cost of about £5, you would be required to pay in duty about £15, bringing the cost of the Whiskey up to £20. Therefore as all amounts paid for duty on Goods increase their cost, such amounts must either be debited against the goods a/c. in respect of which they are paid, or a

**"Duty A/c." must be opened, the total of which, on balancing, would require transferring to the Goods or Trading A/c. affected.**

### Exercise 37.

Albert and Leo Pupil, trading in partnership under the style of Pupil Bros., as Tea and Coffee Merchants, find their Assets and Liabilities on the 1st November, 1907, to be as follows :—

*Assets* :—Cash, £1846 2s. 4d. ; Tea, £1680 ; Coffee, £900 ; Jas. Keen, £101 1s. ; B/R. on Alfred Carr for £600, and on S. Hunt for £500. *Liabilities* :—Alfred Carr, £107 3s. 4d. ; B/P. due to W. Mack, 5th Nov., for £800, and one due to J. Routh, 30th Nov., for £720. Capital belongs partners in equal shares.

(Separate A/cs. must be kept of Tea and Coffee.)

| | | | | | |
|---|---|---|---|---|---|
| Nov. | 1. | Deposited Cash in Bank ..... | £1600 | – | – |
| ,, | 1. | Made advance for Petty Cash (76) ..... | 20 | – | – |
| ,, | 2. | Received Cheque from James Keen..... | 101 | 1 | – |
| ,, | 2. | Remitted Alfred Carr, Cheque ..... | 100 | – | – |
| ,, | 3. | Sold to James Keen, Tea, £560 ; Coffee, £480 | 1040 | – | – |
| ,, | 3. | Paid for Stationery out of Petty Cash ... | 6 | 5 | – |
| ,, | 4. | Recd. Consignment from Hugh Vint, Java, of 40 tierces of Coffee, invoiced at (179) | 600 | – | – |
| ,, | 5. | B/P. honoured at Bank (142) ..... | 800 | – | – |
| ,, | 5. | Bought of A. Carr, Tea, £600 ; Coffee, £320 | 920 | – | – |
| ,, | 6. | Paid in Cash, Duty on Tea (180) *Debit Tea A/c.* ..... | 20 | 13 | 4 |
| | | Pd. Cash Freight on Consign. from Vint(179) | 30 | 6 | 8 |
| ,, | 7. | A. Pupil and L. Pupil each drew a cheque for their private expenses ...£50 – – | 100 | – | – |
| ,, | 8. | Sold A. Carr and took his acceptance at 16 days for the amt. (146)..Coffee £550.. Tea £160 ..... | 710 | – | – |
| ,, | 9. | Recd. from J. Keen in settlement of his a/c. a B/E. due 15th Nov., £800, Cash £240.. | 1040 | – | – |
| ,, | 9. | Remitted Hugh Vint a Bill at one month on a/c. of Consignment of Coffee for (179).. | 400 | – | – |
| ,, | 9. | A. Carr's Bill due to-day, dishonoured (166) | 600 | – | – |
| ,, | 11. | B/R. honoured at Bank (145) ..... | 500 | – | – |
| ,, | 11. | Alf. Carr discharged his dishonoured acceptance, and Int. £1 13 in cash (*N.B.a.*) .. | 601 | 13 | – |
| ,, | 12. | Sold James Keen, Coffee from H. Vint (179) | 145 | 11 | – |
| ,, | 12. | Remitted cheque for carriage on Tea (75) | 30 | 11 | – |
| ,, | 12. | Bought of Alfred Carr, Tea ..... | 580 | – | – |
| ,, | 13. | Accepted Carr's draft at 1 mo. on a/c. £920 including 1 mo.'s int. £3 16 8 (*N.B.b.*).. | 923 | 16 | 8 |
| ,, | 13. | Paid Wages in Cash (Trade Exs. a/c.) ... | 34 | 5 | – |
| ,, | 14. | Sold James Keen, Coffee ....£320 – – (179) ,, ,, from Vint £180 – – | 500 | – | – |
| ,, | 14. | Drew on J. Keen at 2 mos. including £1 3 4 for interest (*N.B.c.*) ..... | 504 | 3 | 4 |

| | | | | | |
|---|---|---|---|---|---|
| Nov.15. | Paid A. Carr, cheq. £577 15 -, Dis. £2 5 - | £580 | – | – |
| „ 15. | J. Keen's Bill due to-day dishonoured (166) | 800 | – | – |
| | Paid Noting Charges out of Petty Cash | 1 | 1 | – |
| „ 15. | Placed to our own a/c. Vint's Coffee (179) | 210 | – | – |
| „ 16. | Retired Bill due 30thNov.by cheq.£717 5 - | | | |
| | (168) And was allowed rebate 2 15 - | 720 | – | – |
| „ 17. | Sent Robert Keld,Newcastle,to be sold on our | | | |
| | a/c. 84 chests Congou, 7200 @ 2/- (174) | 720 | – | – |
| „ 18. | J. Keen forwards his acceptance at 7 days | | | |
| | with noting exp. and £10 for int. (*N.B.d*) | 811 | 1 | – |
| „ 19. | Sold James Keen Coffee for Cheque£80 – - | | | |
| | And on credit .....121 1 - | 201 | 1 | – |
| „ 19. | Pd.inCashCarr.onTea consig'd toNewcastle | 10 | 13 | 4 |
| „ 20. | Bot. of A. Carr, Tea for Cheque £60 – – | | | |
| | B/P. at 3 mos. £200, on Credit400 – – | 660 | – | – |
| „ 21. | Discounted at Bank J.Keen'sBill : Proceeds | | | |
| | (161) pd. to Bank £500, Dis. thereon£4 3 4 | 504 | 3 | 4 |
| „ 22. | Recd. from R. Keld, Bill at 1 month as an | | | |
| | advance against Consignment of Tea(174) | 300 | – | – |
| „ 23. | Discounted Alfred Carr's Bill at Bank. Net | | | |
| | proceeds £707 1. Dis. £2 19 (161) .... | 710 | – | – |
| „ 25. | Forwarded A/S. of Coffee to Hugh Vint. | | | |
| | Commission charged (179) ..... | 26 | 15 | 8 |
| „ 26. | Recd. from R. Keld, Newcastle, A/S. | | | |
| | showing that Tea had realised net (177) | 780 | – | – |
| „ 27. | Alfred Carr's Bill previously discounted at | | | |
| | Bank returned dishonoured (166) ..... | 710 | – | – |
| „ 28. | Keen met his acceptance for £811 1 - due to- | | | |
| | day with a2mos.bill including int.for (167) | 835 | 7 | 8 |
| „ 29. | Paid Cash for Rent ..... | 52 | 10 | – |
| „ 29. | Credit each partner with Int. on Cap. £17 | 34 | – | – |
| „ 29. | Debit partnersInt.on withdrawals8/4ea.(78) | – | 16 | 8 |
| „ 30. | *Value of Stock, Tea* £2200 ; *Coffee* £290. | | | |

**N.B.**—(*a*) Total in C.B. ; pass Interest through the Journal.
(*b*) Total in B/P. Book ; pass Interest through the Journal.
(*c*) Total in B/R. Book ; pass Interest through the Journal
(*d*) Total in B/R. Book ; pass Interest through the Journal.

**Answer.**—*Trial Balance : totals* £28115 2 - ; *balances* £5906 - 8. *Gross Profit on Tea,* £68 15s. 8d., *Coffee* £411 1s. - ; *on Consignment* £49 6s. 8d. ; *Net Profit* £463 19s. 8d. ; *Bal. of each Cap. A/c.* £2198 11s. 6d. *Total of B/S.* £5999 8s. 4d.

**181. A JOINT ADVENTURE A/c.** is the record of a **speculation** entered into by two or more persons, in order to divide the result of the adventure. A Joint Speculation a/c. must be treated like an Outward Consignment a/c. until it is necessary to close it ; that is, debit all payments and credit all receipts in respect of the goods speculated upon.

Transaction :—" Dec. 7. Bought of Peter Shaw, Tea, on Joint A/c. with Thos. Watts, £370 14s. 6d." Journalise :—

*Joint A/c. with Thos. Watts, Dr.* £370 14 6.
*To Peter Shaw* .....£370 14 6.

Transaction :—" Dec. 9. Received from T. Watts, Cash for his half thereof.....£185 7 3." Enter either in C.B. or journalise :—*Bank Dr. To Thomas Watts* £185 7 3.

Transaction :—" Dec. 20. Sold to John Hale the Tea purchased on Joint A/c. with T. Watts....£435." Journalise :—

*J. Hale* .....*Dr.* £435.
*To Joint A/c. with T. Watts* .....£435

Transaction :—" Dec. 20. Commission charged on sale thereof ....£6 10 6." Journalise :—

*Joint A/c. with T. Watts* ....*Dr.* £6 10 6.
*To Commission A/c.* .....£6 10 6

The **Joint A/c.** being a Goods A/c. is **balanced** by transferring *one half* of the *difference* to the personal a/c. of Thos. Watts, and the other half to your own P/L. A/c.

**Dr. Joint Account** WITH **Thomas Watts.** (Ex. 38.) **Cr.**

| 1907 | | £ | s. | d. | 1907 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Dec. 7 | To Tea of Peter Shaw ... | 370 | 14 | 6 | Dec. 20 | By Sale to Hale | 435 | - | - |
| ,, 20 | ,, Commission ..... | 6 | 10 | 6 | | | | | |
| ,, 31 | ,, **Profit** *transferred to:* | | | | | | | | |
| | *T. Watts A/c.* ½ £28 17 6 | | | | | | | | |
| | *P. & L. A/c.* ½ £28 17 6 | | | | | | | | |
| | | 57 | 15 | - | | | | | |
| | | £ 435 | - | - | | | £ 435 | - | - |

**182. SUSPENSE A/c.** (sometimes called a Contingent A/c.). This is an a/c. wherein various items are recorded, which, owing to death, oversight, postal irregularities, or want of detail or information at the time of entry, cannot be placed to their proper a/cs. in the Ledger. It is also used for adjustment and **apportionments,** such as recording the **proportions** of Wages, Insurance Premiums, Rates, Taxes, Gas, Electricity, Wafer, Trade Expenses, &c., **unpaid** or **prepaid,** which are chargeable or allowable in respect of the period for which you are preparing a P/L. A/c. For instance, suppose you are closing your books on the 31st December, and the last payment of Wages was only to the 28th, it is clear that if your Wages a/c. is to be correct,

you must debit it with the amount earned in respect of those 3 intervening days and credit what—certainly not cash, for those wages are *not paid*, but a Suspense A/c. The transaction :—

"Dec. 30. Rent, Rates, and Taxes *due* £28 4 –."

must be journalised :—

*Rent, Rates, & Taxes A/c. Dr.* £28 4 –
*To Suspense A/c.* ..... £28 4 –

On the other hand, insurance, rates or taxes, &c., may have been paid in *advance*, in which case the proper proportion of these items should be debited against the Suspense A/c. and the T/E. or other A/cs. credited. Whenever the sums credited to the Suspense A/c. are paid they must be debited to the Suspense A/c. and credited to Bank or Cash, *e.g.*, "*Paid Rent due last month*," must be entered on the Cr. side of the Cash Book, thus :—"*Dec.* 5. *By Suspense A/c.* (*Rent*) £25." And on the contrary, when the period in respect of which an item was debited to the Suspense A/c. has expired, the amount must be debited to the T/E. or other a/c. and credited to Suspense A/c. In *apportioning* Trade Exs., &c., *for a given period*, a Suspense A/c. is *not* absolutely necessary. For instance, referring to the three days' Wages unpaid on the 31st Dec., they could be debited to the Wages A/c. for 1915, and credited to the Wages A/c. for 1916, through the medium of the Journal thus :—

1915. *Dec.* 31. *Wages A/c. Dr.* £300.
1916. *Jan.* 1. *To Wages A/c.* .....£300

Should this method be adopted it will be seen that a Nominal A/c. may show either an asset or a liability.

**Dr.** **Wages A/c.** **Cr.**

| 1915 | | £ | 1915 | | £ |
|---|---|---|---|---|---|
| Dec. 21 | To Bank ..... | 30000 | Dec. 31 | *By Transfer to P. & L. A/c.* | 30900 |
| ,, 28 | ,, Bank ..... | 600 | | | |
| ,, 31 | ,, Wages owing c/d | 300 | | | |
| | | £ 30900 | | | £ 30900 |
| | | | 1916 | | |
| | | | Jan. 1 | By Amount owing | 300 |

**Dr.** **Fire Insurance A/c.** **Cr.**

| 1917 | | £ | s. | d. | 1917 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Mar. 25 | To Cash ..... | 200 | - | - | Dec. 31 | By amount prepaid carried down .. | 246 | 5 | - |
| June 24 | ,, Do. ..... | 150 | - | - | | ,, *Transfer to P. & L. A/c.* .. | 371 | 15 | - |
| Sep. 29 | ,, Do. ..... | 168 | - | - | | | | | |
| Dec. 27 | ,, Do. ..... | 100 | - | - | | | | | |
| | | £ 618 | - | - | | | £ 618 | - | - |
| 1918 Jan. 1 | To amount prepaid | 246 | 5 | - | | | | | |

**183. RESERVE** for **DOUBTFUL DEBTS,** sometimes termed **BAD DEBTS RESERVE.** In closing your books and preparing the Balance Sheet it is essential that you should make ample provision for all possible liabilities, otherwise your assets may appear greater than they actually are. It is unlikely that *all* your debtors are financially sound, and in view of possible defaulters, you should examine each personal a/c. in your Ledger, and in a memorandum book make a list of such as are in the least *doubtful*. You will then be able to form an estimate of the amount unlikely to be recovered. An allowance in respect thereof should be charged against the current profits by being debited to the P. & L. A/c., and credited to the *Reserve for Bad Debts A/c.* It is a common practice to " write off " at each balancing a given *percentage*, say 5% on the total of the book debts. If there be a *Cr. balance* on the *Reserve for B/D. A/c.* at the end of the previous year, this amount *may* be *deducted* from the new percentage allowance.

No further entry must be made in this a/c. until the next balancing. All **bad debts** occurring between one balancing and another must be placed, as usual, to the " Bad Debts A/c." as directed by par. 74. When closing the books the **total** of the " Bad Debts A/c." must be transferred to the Dr. side of the " Reserve for Bad Debts A/c.," and the Cr. balance of the latter a/c. carried down. If the total of the " Bad Debts A/c." should *exceed* the amount of the Reserve, the *difference* must be debited (by Journal entry) to the P. & L. A/c., and credited to the " Reserve for B/D. A/c.," in which case, the latter would, of course,

balance. After thus closing the "Bad Debts A/c." and adjusting the "Reserve tor B/D. A/c." the percentage allowance for the following period must be ascertained, such amount being debited to the P. & L. A/c., and credited to the "Reserve for B/D. A/c." If the total of the Bad Debts does not exhaust the Reserve, and *no* further provision is required, there is nothing to charge to the P. & L. A/c. By way of illustration the following transactions are recorded below :—

1917. Jan. 1. Balance of Reserve of 5% for Bad Debts on £5000 b/f. ..... £250

June 30. Total of Bad Debts A/c. on closing books £150
(*Journalise* "*R. for B/D. A/c.*" *Dr. to B/D. A/c.*£150)

June. 30 Reserve 5% for Bad Debts on..£4500 after allowing £100, being credit bal. of R. for B/D. A/c..... £125
(*Journalise P/L. A/c. Dr. To R. for B/D. A/c.* £125)

Dec. 31. Total of Bad Debts A/c. on closing books £285
(*Journalise R. for B/D. A/c. Dr. to B/D. A/c.* £285)
(*Journalise P/L. A/c. Dr. to R. for B/D. A/c.* £60)

Dec. 31. Reserve 5% for Bad Debts on £5500 ... £275

**Dr.** **Reserve for Bad Debts A/c.** **Cr.**

| 1917 | | £ | 1917 | | £ |
|---|---|---|---|---|---|
| June 30 | To Bad Debts A/c. | 150 | Jan. 1 | By Balance ....b/f | 250 |
| | ,, *Balance* ....c/d | 225 | June 30 | ,, P & L. A/c.... | 125 |
| | | £375 | | | £375 |
| Dec. 31 | To Bad Debts A/c. | 285 | July 1 | By Balance....b/d | 225 |
| ,, ,, | ,, *Bulance* ....c/d | 275 | Dec. 31 | ,, P. & L. A/c.... | 60 |
| | | | ,, 31 | ,, P. & L. A/c.... | 275 |
| | | £560 | | | £560 |
| | | | 1918 | | |
| | | | Jan. 1 | *By Balance* ...b/d | £275 |

The record in the **Profit & Loss A/c.** would be :—

Dec. 31. *To Bad Debts written off* .....£285
*Add Reserve for Bad Debts on* £5500 @ 5%..... 275—£560

*Less Cr. Bal. of Reserve b/f.* 225—£335

When preparing the **Balance Sheet,** the amount standing to the credit of the "Reserve for Bad Debts A/c." should *not* be entered on the Liabilities side of the sheet, as other credit balances are, but should be **deducted** from the total amount of **book debts** or debtors entered on the Assets side, thus reducing the amount of that asset to its true value, as follows :—

| | | |
|---|---|---|
| *Sundry Debtors on Open A/cs.* ..... | £5500 | |
| *Less Bad Debts Reserve* ..... | 275 | £5225 |

In Exercise 38 enter in the Balance Sheet as follows :

| | | | |
|---|---|---|---|
| *Sundry Debtors, viz. :—* | | | |
| *Rufus Kemp* ..... | £525 6 8 | | |
| *John Hale* ..... | 435 – – | 960 6 8 | |
| *Less Bad Debts Reserve* ..... | 20 – – | 940 6 8 | |
| *Leo Pupil's Cap. A/c.* | | 4 1 11 | |

**184. RESERVES** for **DISCOUNT.** It is customary in most trading concerns to allow cash discounts in respect of payments made within a stated period. It would therefore be incorrect to place the *full* amount of the *book debts* as an *asset* in the B/S., seeing that most of the **debtors** will claim discount on their respective payments. It is accordingly advisable to charge against the current profits a given **percentage**—say 5%—on the total amount of the book debts, *after deducting* the Reserve for Bad Debts. For instance, suppose the debtors' balances to be £6000, upon which £300 has been reserved for Bad Debts, the allowance for Discount would be reckoned on the reduced amount of £5700. No further entry must be made in the Reserve for Discount A/c. until the next balancing, when the **total** of the *actual* Discount A/c. would be transferred and *debited* to it, in a similar manner to the total of the Bad Debts A/c., referred to in the last paragraph.

**Dr.** **Reserve for Discount on Debtors' A/c.** **Cr.**

| 1917 | | £ | 1917 | | £ |
|---|---|---|---|---|---|
| June 30 | To Discount allowed for half-year as per C.B. ..... | 240 | Jan. 1 | By Balance b/f being 5% on Book Debts, £5700 .. | 285 |
| „ 30 | „ *Balance .....c/d* | 368 | June 30 | „ P. & L. A/c. 5% on Book Debts, £7360 (after deducting reserve) | 323 |
| | | £ 608 | | | £ 608 |
| Dec. 31 | To Discount allowed for half-year as per C.B. ..... | 400 | July 1 | By Balance.....b/d | 368 |
| | | | „ 31 | „ P. & L. A/c..... | 32 |
| „ 31 | „ *Balance .....c/d* | 375 | „ 31 | „ P. & L. A/c. 5% on Book Debts, £7500 | 375 |
| | | £ 775 | | | £ 775 |
| | | | 1918 | | |
| | | | Jan. 1 | By Balance.....b/d | 375 |

The record in the **Profit & Loss A/c.** in each case would be as follows :—

*June 30.* *To Discount allowed on Sales* .... £240
*Add Reserve for Discount on Debtors* £7360 @ 5% ..... 368—£608

*Less Cr. Balance of Reserve b/f.* 285—£323

*Dec. 31.* *To Discount allowed on Sales* .... £400
*Add Reserve for Discount on Debtors* £7500 @ 5% ..... 375—£775

*Less Cr. Balance of Reserve b/f.* 368—£407

The record in the **Balance Sheet** on 30th June would be :—

*Sundry Debtors on Open A/cs.* ..... £7748
*Less Bad Debts Reserve* ..... 388—£7360

*Less Reserve for Discount* ..... 368—£6992

Reserve for discount on **creditors** may also be deducted in a similar manner as the reserve on debtors ; the result, of course, being quite opposite in its effect.

**Dr. Reserve for Discount on Creditors' A/c. Cr.**

| 1917 | | £ | 1917 | | £ |
|---|---|---|---|---|---|
| Jan. 1 | To Balance b/f. being 5% on Creditors £5700..... | 285 | June 30 | By Discount allowed for half-year as per C.B. ..... | 240 |
| June 30 | „ P. & L. A/c. 5% on sum due to Creditors £7360 | 323 | „ 30 | „ *Balance* .....*c/d* | 368 |
| | | £ 608 | | | £ 608 |
| July 1 | To Balance ....b/d | 368 | | | |

The record in the **Profit & Loss A/c.** would be :—

*June* 30. By Discount allowed on Purchases £240
*Add* Reserve for Dis. on Creditors 368—608

*Less* Dr. Balance of Reserve b/f. 285—£323

The record in the **Balance Sheet** would be as follows:

Sundry Creditors on Open A/cs. ..... £7360
*Less* Reserve for Discount ..... 368—£6992

### Exercise 38.

On the 1st Dec., 1907, Albert and Leo Pupil entered into Partnership ; the arrangement being that Albert was to find all the Capital, and that he was in consequence thereof to have two-thirds of the profit, whilst Leo was only to have the remaining one-third.

*Assets* :—Cash at Bank, £772 13 6, B/R. due 21st Jan., £45 16 6, Consignt. to Hume & Co., Madras, £430 18 6, Merchandise on hand £529 1 8, Cash £27 6 6, Office Furniture £75, Consignment from Dent & Co., Calcutta, £540. *Liabilities* :—B/P. due 16th Dec., £50, B/P. due 21st Feb. £300, Suspense A/c. for Rent, Rates, Taxes, &c., £30 16 8, Dent & Co., £240, A. Pupil's Cap. £1800. All receipts and payments through the Bank unless otherwise stated.

| | | | | | |
|---|---|---|---|---|---|
| Dec. 2. | Sold to Joseph Turner, Goods ..... | £330 | 10 | 6 |
| „ 2. | Drew a bill at 2 mos. on J. Turner (146, 171) | 322 | 6 | 10 |
| | And allowed him Discount ..... | 8 | 3 | 8 |
| „ 5. | Paid rent due *last month* (182) ..... | 25 | – | – |
| „ 6. | Sold to Rufus Kemp, the Consignt. of Goods on a/c. of Dent & Co., Calcutta (179) .. | 525 | 6 | 8 |
| „ 6. | Our Commission for selling same ..... | 7 | 17 | 6 |
| | Our charges on same deducted from A/S... | 4 | 13 | 2 |
| | *Dent & Co., Dr. To Com. & Charges A/c.* £12 10 8. Paid out of Cash Dock Charges thereon ..... | 3 | 16 | 8 |

| | | | | |
|---|---|---|---|---|
| Dec. 7. | Bought of Peter Shaw, Tea on Joint a/c with Thomas Watts (181)..... | £370 | 14 | 6 |
| ,, 9. | Received from T. Watts, for his half (181) | 185 | 7 | 3 |
| ,, 11. | Discounted with Bank, Draft on J. Turner Dis. £4 16 8, total (161) ..... | 322 | 6 | 10 |
| ,, 13. | Received A/S. from Hume & Co., Madras, showing that *part* of our Consignment to them had realised, after deducting Com. and charges, the sum of (176) ..... | 356 | 18 | 9 |
| | *Leaving balance unsold* .....£139 9 9 | | | |
| | Drew on Hume & Co.,at 3 mos. for (146,171) | 356 | 18 | 9 |
| ,, 16. | Paid Bill falling due this day (142)..... | 50 | – | – |
| ,, 17. | Paid Taxes due last Nov. out of Cash (182) | 5 | 16 | 8 |
| ,, 20. | Sold to John Hale, the Tea bought on Joint a/c. with T. Watts (181) ..... | 435 | – | – |
| | Commission charged on sale thereof ..... | 6 | 10 | 6 |
| ,, 20. | Retired by Bank, B/P. Rebate £2 6 8 (168) | 297 | 13 | 4 |
| ,, 30. | Office Expenses paid out of Cash ..... | 4 | 10 | – |
| | Clerk's Salary paid do. ..... | 10 | – | – |
| ,, 30. | Rents, Rates, and Taxes, *due* (182) ..... | 28 | 4 | – |
| ,, 30. | Partners' withdrawals, Alb.£60, Leo.£35(78) | 95 | – | – |
| ,, 30. | Credit Interest on A. Pupil's Capital (71).. | 6 | 5 | – |
| ,, 30. | Allow for Depreciation of Furniture (82).. | 1 | – | – |
| ,, 30. | Reserve for Bad Debts (183) ..... | 20 | – | – |
| | *Merchandise on hand* £258 9 6. | | | |

**Answer.**—*Trial Balance : totals* £6208 - 7 ; *balances* £3041 10 1 ; *Gross Profit on Goods* £59 18 4 ; on *Joint A/c.* £28 17 6 ; *on Consignment*, £65 10. *Net Profit*, £92 14 4 ; *Balance of A.P. Cap. A/c.*, £1808 1 3 ; *Dr. Balance of L.P. Cap. A/c.* £4 1 11, *Total of B/S.* £2630 3 10.

**185. A TRIAL BALANCE** may either consist of (**1**) the **total postings** to the Ledger, or (**2**) simply the **differences** or **balances** of the **postings.** The former method is the more advantageous one when all the transactions are journalised, because in addition to the equalisation of the totals you have the further check afforded by their agreement with the totals of the Journal. The second plan of taking out the **balances** is the one adopted in **business** and most **examinations,** as it exhibits in a very concise form the information from which, after the value of the goods on hand, or on consignment, &c., has been estimated, and the depreciation of buildings, machinery, plant, furniture, &c., has been written off, a P/L. A/c. and a Balance Sheet may be constructed. In **practical work** you must not

fail to remember that the totals or balances of the various columns in that section of the Ledger, known as the Cash Book and Petty Cash Book, require to be included in the Trial Balance.

The **differences** shown in the Trial Balance of the Personal A/cs., and of Cash, Bank, B/R., B/P., &c., give the correct amounts of the debit and credit balances without further manipulation. It is well for the book-keeper to prepare a rough T.B., **monthly** or at least **quarterly,** so that in case of errors or omissions they may be discovered and rectified without being put to the annoyance of having to search through numerous entries extending over a long period of time. The adoption of this suggestion will greatly facilitate the closing of the books at the half-yearly or annual balancing.

**186.** A Trial Balance, the totals of which agree, **does not** conclusively **prove** the **accuracy** of the **books,** as it will not disclose the following errors :—(**1**) An amount posted to the wrong account, although on the right side of the Ledger. (**2**) An error in the book of original entry, such as the purchase of goods amounting to £53 7s. entered in the Purchases Book as £5 3s. 7d. (**3**) A compensating mistake, *i.e.*, £50 5s. posted to the debit of a customer in the Sales Ledger as £30 5s., and the undercasting of the Sales Book by £20.

**187.** The **disagreement** of a Trial Balance may arise from any of the following causes :—(**1**) Omission to post an item from the book of original entry to the Ledger. (**2**) Mistake in posting an item, such as the transposition of £42 6s. to £4 2s. 6d. (**3**) Posting an item to the debit instead of to the credit, or vice versa. (**4**) Extracting the balance as a debit instead of a credit, or vice versa. (**5**) Omitting a balance altogether. (**6**) Casting a Ledger a/c. wrongly, and thus causing a mistake in the balance. (**7**) Casting the book of original entry wrongly, thus causing an error in the total posted to the Impersonal account.

**188. After all the a/cs.** have been **balanced** and the Trading and Profit & Loss A/cs. have been prepared, a second or **short Trial Balance** of the remaining balances may be compiled. As all the subsidiary a/cs. of profit and loss will have been closed and transferred, and the net result carried to the Capital A/c., the only balances remaining will represent **Assets** and **Liabilities**, from which a Balance Sheet may be prepared. Compare the **full** or **first** Trial Balance with the **short** or **second** Trial Balance of Exercise 39.

**First or Full Trial Balance of Exercise 39.**

| Ledger Accounts. | Totals. | | | | | | Balances. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dr. | | | Cr. | | | Dr. | | | Cr. | | |
| | £ | s. | d. | £ | s. | d | £ | s. | d. | £ | s. | d. |
| A. Pupil, Cap A/c. | | | | 2410 | - | - | | | | 2410 | - | - |
| A.Pupil,Drwgs.A/c. | 20 | - | - | | | | 20 | - | - | | | |
| L. Pupil, Cap. A/c. | | | | 1205 | - | - | | | | 1205 | - | - |
| L.Pupil,Drwgs.A/c. | 25 | - | - | | | | 25 | - | - | | | |
| Office Furniture .. | 50 | - | - | | | | 50 | - | - | | | |
| BillsReceivableA/c. | 850 | - | - | 550 | - | - | 300 | - | - | | | |
| Bills Payable A/c. | 700 | - | - | 1057 | - | - | | | | 357 | - | - |
| Stock A/c ..... | 1400 | - | - | | | | 1400 | - | - | | | |
| Sales A/c. ..... | | | | 550 | - | - | | | | 550 | - | - |
| Con. from Gray's.. | 1000 | - | - | 1160 | - | - | | | | 160 | - | - |
| Con. to Platt & Co. | 378 | - | - | 386 | 10 | - | | | | 8 | 10 | - |
| Commission A/c. . | | | | 58 | - | - | | | | 58 | - | - |
| Interest A/c ..... | 15 | - | - | | | | 15 | - | - | | | |
| Discount A/c. .... | | 10 | - | | | | | 10 | - | | | |
| TradeExpensesA/c. | 37 | 5 | 6 | | | | 37 | 5 | 6 | | | |
| Suspense A/c. .... | | | | 27 | 10 | - | | | | 27 | 10 | - |
| Bad Debts A/c. .. | 100 | - | - | | | | 100 | - | - | | | |
| Gray & Co. ..P.L. | 1160 | - | - | 1000 | - | - | 160 | - | - | | | |
| NationalDis.Co. ,, | 300 | - | - | 300 | - | - | | | | | | |
| John Boyd ...S.L. | 600 | - | - | | | | 600 | - | - | | | |
| Coles & Co. .. ,, | 400 | - | - | 400 | - | - | | | | | | |
| May & Co..... ,, | 650 | - | - | | | | 650 | - | - | | | |
| Nevill Bros. .. ,, | 510 | - | - | | | | 510 | - | - | | | |
| S. Platt & Co.. ,, | 386 | 10 | - | 250 | - | - | 136 | 10 | - | | | |
| Thomas Wood ,, | 300 | - | - | | | | 300 | - | - | | | |
| Robey & Son . ,, | 500 | - | - | 600 | - | - | | | | 100 | - | - |
| Cash A/c. ..... | 1249 | 10 | - | 818 | - | - | 431 | 10 | - | | | |
| Petty Cash A/c.... | 15 | - | - | 9 | 15 | 6 | 5 | 4 | 6 | | | |
| Bank A/c..... | 885 | - | - | 750 | - | - | 135 | - | - | | | |
| £ | 11531 | 15 | 6 | 11531 | 15 | 6 | £4876 | - | - | 4876 | - | - |

**Second or Short Trial Balance of Exercise 39.**

| Ledger Accounts. | Assets. Dr. £ | s. | d. | Liabilities. Cr. £ | s. | d. |
|---|---|---|---|---|---|---|
| A. Pupil, Capital A/c. | | | | 2398 | 4 | 8 |
| L. Pupil, Capital A/c | | | | 1185 | 9 | 10 |
| Stock of Cotton | 950 | - | - | | | |
| Office Furniture | 50 | - | - | | | |
| Bills Receivable A/c. | 300 | - | - | | | |
| Bills Payable A/c. | | | | 357 | - | - |
| Suspense A/c. | | | | 27 | 10 | - |
| John Boyd | 600 | - | - | | | |
| May & Co. | 650 | - | - | | | |
| Nevill Bros. | 510 | - | - | | | |
| S. Platt & Co. | 136 | 10 | - | | | |
| Thomas Wood | 300 | - | - | | | |
| Robey & Son | | | | 100 | - | - |
| Cash A/c. | 431 | 10 | - | | | |
| Petty Cash A/c. | 5 | 4 | 6 | | | |
| Bank A/c. | 135 | - | - | | | |
| £ | 4068 | 4 | 6 | £4068 | 4 | 6 |

**Exercise 39.** (*Lanc. & Cheshire Union Exam.*, 1894.)

*Albert Pupil's Cap. consists of* :—Cotton, £1000, Bank, £500, Debts owing by Thos. Wood, £300, and John Boyd, £600. Total £2400.

*Leo Pupil's Cap. consists of* :—Cotton, £400, Cash, £400, Debt owing by Coles & Co., £400. Total £1200. (*N.B.*) 1st Jan., 1908.

Divide result of trading, three-fifths to Albert, two-fifths to Leo.

| | | | | |
|---|---|---|---|---|
| Jan. 1. | Bought of Holt & Co., Office Furniture and paid by Cheque on Imperial Bank (81) | £50 | - | - |
| ,, 1. | Cash advanced to Petty Cash A/c. (76) .. | 15 | - | - |
| ,, 1. | Paid to Bank L. Pupil's Cash Capital .... | 385 | - | - |
| ,, 5. | Consigned to Sam Platt & Co. (per S.S. "Venus") Cotton to be sold for our A/c. (174) | 350 | - | - |
| | Drew on S. Platt & Co., at 15 days' sight for | 250 | - | - |
| ,, 7. | Sold to Robey & Son, Cotton ..... | 200 | - | - |
| ,, 8. | Recd. of Robey & Son, Acceptance at 1 mo. of Coles&Co.,due 21st January (146, 171) | 300 | - | - |
| ,, 8. | Recd. from Gray & Co., Consignt. of Cotton (per S.S. " Finsbury ") to be sold for their a/c. ; invoiced at (179) ..... | 1000 | - | - |
| ,, 10. | Accepted Gray's Draft at 14 days (146, 172) | 700 | - | - |
| | Discounted with National Dis. Co. Coles & Co.'s Acceptance £300, recd. cash (161).. | 299 | 10 | - |
| ,, 14. | Sold May & Co., Cotton, part of consignment from Gray & Co. (179) ..... | 650 | - | - |
| | Our commission on above sale..... | 32 | 10 | - |

| | | | | |
|---|---|---|---|---|
| Jan.14. | Paid Freight and charges on consignment (per S.S. "Venus") to Platt's (174) ... | £28 | – | – |
| „ 14. | Paid Dock Dues and Charges on Gray & Co.'s consignment to us (179) ..... | 45 | – | – |
| „ 21. | Cole's Acceptance dishonoured (166) ..... | 300 | – | – |
| „ 21. | Recd. from S. Platt & Co., A/S. of Cotton consigned to them; proceeds (177) .... | 386 | 10 | – |
| „ 23. | Accepted a composition of 15/- in the £ from Coles & Co., in respect of their *book debt* of £400, and received from them their P/N. at 6 mos. for the comp. (74, 95a, 146, 171) ..... | 300 | – | – |
| „ 23. | Recd. cheq. for amt. of dishonoured Acceptance of Coles & Co., from Robey & Son, and endorsed it National Dis. Co. ..... | 300 | – | – |
| | (*National Dis. Co. Dr. To Robey & Son.*) (*In practical work enter in Cash Book "To Robey & Son, £300." "By National Discount Co. £300."*) | | | |
| „ 25. | Recd. Cash for our Bill on S. Platt & Co.(146) | 250 | – | – |
| „ 27. | Sold to Neville Bros., balance of Cotton consigned to us from Gray & Co. (179).. | 510 | – | – |
| | Our commission on the above ..... | 25 | 10 | – |
| „ 27. | Bankpd. our acceptance of Gray's Draft (146) | 700 | – | – |
| „ 29. | Accepted Gray's Draft at 30 days' date (146, 172) ..... | 357 | – | – |
| „ 31. | Office Rent *due* this day (182) ..... | 12 | 10 | – |
| | *Due* to H. Law for Salary ..... | 15 | – | – |
| | Paid Expenses out of Petty Cash ..... | 9 | 15 | 6 |
| | Int. on Cap., Alb. £10; Leo £5 (71) ..... | 15 | – | – |
| | Cash withdrawn by A. Pupil on private a/c. (78) ..... | 20 | – | – |
| | The like by Leo Pupil ..... | 25 | – | – |

*Stock of Cotton*, £950.

**N.B.**—Combine the Opening Entries by debiting Bank £500, Cash £400, Cotton £1400, Wood £300, Boyd £600, Coles & Co., £400, and credit A. Pupil £2400 and L. Pupil £1200.

**Answer.**—*Gross Profit on Cotton* £100, *on Consignment* £8 10. *Net Profit*, £13 14 6. *Bal. of A.P. Cap. A/c.* £2398 4 8, *L.P.* £1185 9 10, *Total of B/S.* £4068 4 6.

**189. SALES on COMMISSION.** Merchants may occasionally hand you a sample of goods with the view to your effecting a sale on their a/c. and at their risk, for a stipulated commission. You do not take possession of the goods, but merely submit a sample to likely buyers, upon which sample you obtain an order, say from Henry Tew for £100 worth. You dispatch the order to your principal, James West, who invoices and forwards the goods direct to H. Tew. In such an agency transaction as this, no responsibility whatever

rests upon you, as the purchaser becomes the debtor of your principal. The only entry required in your books would be in respect of your commission, and this entry you would make on transmitting the order to your principal as follows :—*James West....Dr.* £5.

*To Commission A/c. ....*£5.

When such commission transactions are numerous it is well to record full particulars in a **Commission Sales Book,** giving the date, name and address of seller, name and address of buyer, particulars of the goods, total net value, Ledger folio, amount of commission. All amounts in the Commission column would be posted to the debit of your principals, and the monthly total posted to the Commission A/c. The total of the Commission A/c. would be transferred to the Trading or P. & L. A/c. on balancing.

**190. ON SALE** or **RETURN.** In some businesses it is usual to forward goods **on appro.** (on approval), the customer having the option of buying or returning such goods within a specified or reasonable time. Although such transactions must *not* be treated as *Sales,* nor the persons to whom the goods are sent as *Debtors,* a proper record must be kept in the form of a **Sales** or **Return Day Books,** similar to the following :—

| Goods sent on Sale or Return. | | | Date. | Value of Goods Returned | Value of Goods sold. | Invoice No. | Sales Ledger Folio. |
|---|---|---|---|---|---|---|---|
| Date. | Particulars. | Amount. | | | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |

When goods are **sent** on Sale or Return they are entered in columns 1, 2, 3 ; if **returned,** further entries are made in columns 4 and 5 ; if **sold,** proper entries would then be made in columns 4, 6, and 7.

When the goods are retained, their value will be posted to the debit of the customer in the Sales Ledger, and the folio inserted in column 8 of the above book. The *total* of column 6, Goods Sold, will be posted to the credit of the Sales A/c.

The difference between the totals of columns 5 and 6 taken together, and that of column 3, will represent the

goods outstanding on any given date. The **value** of these **unsold goods** must be included when taking **stock,** which will not, of course, be the amount stated in this book, but the **cost,** or under.

When transactions in goods sent out on Sale or **Return** are so **few** as not to warrant a special book, they may be recorded at the end of the Sales Day Book, a transfer entry being made to the Sales Day Book itself when the goods are sold.

### Exercise 40.

*Assets* :—Cash £241 17s. 8d. ; Bank £193 19s. 11d. ; Goods £172 11s. 2d. ; Business Premises £1500 ; B/R. :—Tom Long £64 ; J. Plant £47 1s. 6d. ; W. Reed £192 5s. Book Debts :—Chas. White £39 ; Tom Long £19 7s. 1d. *Liabilities* :—B/P. to J. Ince £92 1s. 9d. ; Bal. due to Wm. Hill £322 1s. 6d. ; Cap. £2055 19s. 1d.

| 1908 | *Transactions.* | £ | s. | d. |
|---|---|---|---|---|
| Feb. 1. | Discounted Long's bill at Bank, Dis. £1 .. | 64 | – | – |
| ,, 2. | Bought of W. Hill, Goods ..... | 31 | 15 | 2 |
| ,, 4. | My acceptance lifted at Bank (142) ..... | 92 | 1 | 9 |
| ,, 5. | Bot. of John Battye, Goods for Cash, £95. Dis. £5 ..... | 100 | – | – |
| ,, 6. | Sold Goods to T. Long ..... | 196 | 19 | 10 |
| ,, 6. | ,, ,, C. White ..... | 45 | – | – |
| ,, 7. | Paid Water Rate in Cash ..... | 19 | 15 | – |
| ,, 10. | Recd. C. White's Acceptance at 1 mo. (146, 171) | 39 | – | – |
| ,, 13. | J. Plant's Acceptance paid in Cash (146).. | 47 | 1 | 6 |
| ,, 15. | Recd. of T. Long, Cash £17 8 5. Dis. £1 18 8 | 19 | 7 | 1 |
| ,, 16. | Bought of John Battye, Goods ..... | 210 | – | – |
| ,, 17. | Sold for and at the risk of Jas. West to Hy. Tew, Goods £100, my Com. thereon being (189) ..... | 5 | – | – |
| ,, 19. | Recd. of T. Long, Acceptance at 2 mos. (146, 171) ..... | 196 | 19 | 10 |
| ,, 22. | Sold C. White, Goods for cheque ..... | 75 | – | – |
| ,, 22. | ,, T. Long ,, ,, ..... | 73 | 10 | 9 |
| ,, 23. | Paid into Bank..... | 40 | – | – |
| ,, 23. | Handed W. Hill my Acceptance at 1 mo. (146, 172) ..... | 100 | – | – |
| | also my cheque for ..... | 38 | 3 | – |
| | also T. Long's Acceptance ..... | 196 | 19 | 10 |
| | which with Dis. settles his a/c. ..... | 18 | 13 | 10 |
| ,, 24. | T. Long returned goods for not being equal to sample (112)..... | 27 | – | – |
| ,, 25. | C. White is bankrupt and I receive a first and final dividend of 3/- in the £ (74, 95a) | 12 | 12 | – |

*Note transaction on the 10th. As the dividend paid covers the amount of the B/R., the latter must be disposed of through the Journal thus : "C. White, Dr. to B/R., £39."*

| | | | | |
|---|---|---|---|---|
| Feb. 27. | T. Long's discounted Acceptance, due to-day, returned dishonoured (166) ... | £64 | – | – |
| | Paid Noting in Cash .....–..... | – | 6 | – |
| „ 28. | Pd. L. & Y. Co. Carr. of Goods bycheq.(75) | 7 | 6 | 8 |
| „ 28. | Paid Wages in Cash..... | 23 | 10 | – |
| „ 28. | Paid Travelling Expenses in Cash..... | 20 | – | – |
| „ 28. | Credit Interest on Capital (71) ..... | 15 | – | – |
| „ 28. | Depreciation in value of Premises (82)... | 37 | 10 | – |

*Stock of Goods* £405.

**Answer.**—*Trial Balance : totals* £4646 13 4 ; *balances* £2798 4 10. *Gross Profit* £254 4 3. *Net Profit* £85 9 9. *Bal. of Capital* £2156 8 10. *Total of B/S.* £2466 8 10.

## Exercise 41.

On 1st March, 1908, the Books of A. Pupil and L. Pupil (trading as Pupil Bros.) showed the position of their affairs to be as follows :—

| LIABILITIES. | £ | s. | d. | ASSETS. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Bills Payable— | | | | Cash in hand .....£68 10 6 | | | |
| No.52,due18Mar.300 – – | | | | „ at Bank ....581 7 6 | | | |
| „ 53,due26 „ 265 10 – | | | | | 649 | 18 | – |
| | 565 | 10 | – | Bills Receivable— | | | |
| Sundry Creditors— | | | | No. 76, R. Hanson£50 – – | | | |
| C. Lyon & Son £350 12 6 | | | | „ 77, T. Wills .. 60 2 6 | | | |
| G. Good & Co. .179 10 – | | | | „ 78, J. Ross... 75 10 – | | | |
| W.Morris&Sons 410 5 – | | | | Sundry Debtors— | 185 | 12 | 6 |
| | 940 | 7 | 6 | Thos. Wills .....£72 10 6 | | | |
| CAPITAL— | | | | Jones & Co. .....142 7 – | | | |
| Albert Pupil...£830 – – | | | | Joseph Ross .... 59 2 6 | | | |
| Leo Pupil .... 332 8 – | | | | Brown Bros. .... 73 5 – | | | |
| | 1162 | 8 | – | | 347 | 5 | – |
| | | | | Stock of Goods ..... | 1320 | 10 | – |
| | | | | Furniture & Fittings ..... | 165 | – | – |
| £ | 2668 | 5 | 6 | £ | 2668 | 5 | 6 |

Leo Pupil is to receive a salary of £200 per ann., and 5% per ann. int. on the cap. of each partner is to be charged ; profit or loss to be divided as follows :—A.P. two-thirds, L.P. one-third.

| | | £ | s. | d. |
|---|---|---|---|---|
| Mar. 2. | —Bought of C. Lyon & Son :— M30—1316—Fancy Worsted, 52 1317 „ 51=103 @ 8/- | 41 | 4 | – |
| „ 3. | —Sold to Thomas Wills :— Q310—987—Woaded Worsted, 50 988 „ 51=101@10/- | 50 | 10 | – |
| „ 3. | Received (and paid into Bank) from Thos. Wills, £70, Dis. £2 10 6 (91) ..... | 72 | 10 | 6 |
| „ 5. | Sold to Thomas Johnson, 2 pieces of :— O10—599—Indigo Serge....52½ 600 „ ....50½=103 for | 39 | 9 | 6 |
| „ 5. | Paid Cash—Wages..... | 6 | 2 | – |
| „ 7. | Sold J. Ross : XI.—707—President 50½ @ 4/- | 10 | 2 | – |

| | | | | |
|---|---|---|---|---|
| Mar. 7. | Bought of G. Wood & Co. :— | | | |
| | A7—293—Woaded Worsted, 52 | | | |
| | 294 „ 50 | | | |
| | 295 „ 51½ | | | |
| | 296 „ 50½=204@7/- | 71 | 8 | – |
| „ 7. | Recd. from Jones & Co., Comp. of 10/- in the £ in settlement ; paid same to Bank (74, 95a) | 71 | 3 | 6 |
| „ 7. | Pd. G. Wood & Co.—Chq. £175, Dis. £4 10 - | 179 | 10 | – |
| „ 10. | Sold Brown Bros. : L12—763—Fancy 52@4/6 | 11 | 14 | – |
| „ 10. | Paid into Bank—Bill No. 76 £50, No. 77 £60 2 6, No. 78 £75 10 (145) ..... | 185 | 12 | 6 |
| „ 10. | Sold to Geo. Hirst :— | | | |
| | P71—989—Woaded Worsted, 51 @ 10/- | 25 | 10 | – |
| „ 10. | Bought of G. Wood & Co. :— | | | |
| | F7—312—Fancy, 50 | | | |
| | 313 „ 51 | | | |
| | 314 „ 51=152 @ 3/- ..... | 22 | 16 | – |
| „ 11. | Accepted C. Lyon & Son's draft at 3 mos. (146, 172). Discount allowed (*Cash Book*) .. | 346 | 10 | – |
| | | 4 | 2 | 6 |
| „ 12. | Sold to J. Ross : XI—708—President 52@4/- | 10 | 8 | – |
| „ 12. | Paid Cash—Wages ..... | 6 | 4 | 6 |
| „ 12. | Received Cash for Sundry Small Sales ..... | 4 | 10 | 6 |
| „ 14. | Sold to Brown Bros. :— | | | |
| | U71—801—Indigo Serge. 52 | | | |
| | 802 „ 50=102 @ 6/6 | 33 | 3 | – |
| „ 14. | Advised Bank to meet Bill No. 52 (142) ... | 300 | – | – |
| „ 16. | Bought of C. Lyon & Son :— | | | |
| | R72—1417—President, 52 | | | |
| | 1418— „ 51½ | | | |
| | 1419— „ 50½=154 @ 2/3 | 17 | 6 | 6 |
| „ 16. | Accepted W. Morris & Son's draft at 2 mos... (146, 172). Discount allowed (*Cash Book*) | 405 | – | – |
| | | 5 | 5 | – |
| „ 18. | Sold to John Child :— | | | |
| | F77—919—Fancy Worsted, 52 @ 12/- .. | 31 | 4 | – |
| „ 19. | Sold to William Bell :— | | | |
| | P71—990—Woaded Worsted, 50½ | | | |
| | 991— „ 51½=102@10/- | 51 | – | – |
| „ 19. | Paid Cash—Wages ..... | 6 | 2 | – |
| „ 21. | Sold to Arthur Ford :— | | | |
| | O10—703—Indigo Serge, 51 @ 6/6 ..... | 16 | 11 | 6 |
| „ 21. | Bought of George Hart :— | | | |
| | B67—515—Indigo Serge, 51 | | | |
| | 517— „ 52½ | | | |
| | 508— „ 50½=154 @ 5/- | 38 | 10 | – |
| „ 21. | Recd. of J. Ross and pd. to Bank £57 13, Dis. | 1 | 9 | 6 |
| „ 21. | Received Advice from Bank—(166) | | | |
| | Rd. Hanson's Bill Dishonoured ; Ex. 5/6 | 50 | 5 | 6 |
| „ 21. | Advised Bank to meet Bill No. 53 (142) .... | 265 | 10 | – |

| | | | | | |
|---|---|---|---|---|---|
| Mar. 24. | Bought of Wm. Morris & Sons :— | | | | |
| | E21–1279–Fancy Worsted, 50 | | | | |
| | 1280– „ | 51½ | | | |
| | 1281– „ | 50½=152@8/- | £60 | 16 | – |
| „ 24. | Recd. of Brown Bros., 2 mos. bill, £72. Dis. | | 1 | 5 | – |
| „ 26. | Sold to King & Co. :— | | | | |
| | M107—709—President | 51½ | | | |
| | 710— „ | 50½ | | | |
| | 711— „ | 52=154 @ 3/6 | 26 | 19 | – |
| „ 26. | Sold to Samuel Green :— | | | | |
| | A100—992—Woaded Worsted, 52, @ 10/3 | | 26 | 13 | – |
| | Paid Cash—Wages ..... | | 6 | 3 | – |
| „ 28. | Recd. of Thomas Wills, 3 mos. bill, £50. Dis. | | – | 10 | – |
| „ 29. | Bought of C. Lyon & Son :— | | | | |
| | W15—1491—President, 50½ | | | | |
| | 1492— „ | 52 | | | |
| | 1493— „ | 51 | | | |
| | 1495— „ | 57=210½ @ 5/- | 52 | 12 | 6 |
| „ 29. | Sold to Hick Bros. :— | | | | |
| | F77—920—Fancy Worsted, 50 @ 12/- .. | | 30 | – | – |
| „ 29. | Sold to T. Wills : Z29—717—President,52@4/- | | 10 | 8 | – |
| „ 30. | Sold to William Bell :— | | | | |
| | P71—993—Woaded Worsted, 53 @ 10/- | | 26 | 10 | – |
| „ 31. | Received Cash for Sundry Small Sales .... | | 6 | 15 | – |
| „ 31. | Bought of George Hart :— | | | | |
| | C12—605—Indigo Serge, 51 | | | | |
| | 600— „ | 51½ | | | |
| | 607— „ | 50½=153 @ 6/- | 45 | 18 | – |
| „ 31. | Sold to J. Ross—XI—808—President,51@4/- | | 10 | 4 | – |
| „ 31. | Paid Cash—Travelling Exs. during month | | 20 | 5 | – |
| | Paid Cash—Carriage during month ..... | | 7 | 8 | 6 |
| „ „ | Bank Charges for month (72, 92) ..... | | 2 | 5 | – |
| „ „ | Leo Pupil's Salary paid by Cheque (78) ... | | 16 | 13 | 4 |
| „ „ | Credit Int. on Cap. :—A. P. £3 9 2, L. P. (71) | | 1 | 7 | 8 |

*Value of Goods on hand* £1350.

**Answer.**—*Trial Balance : totals* £5655 18 8 ; *balances* £2698 19 10. *Gross Profit*, £100 10 6. *Net Loss*. £38 10 8. *Bal. A.P. Cap. A/c.* £807 15 4, *L.P. Cap. A/c.*, £320 18 10. *Total of Balance Sheet* £2230 15 2.

**Exercise 42.** (*W.R.C.C. Inter.*, 1897.) *Tabular.*

You are required to pass the following Waste Book entries through the *Bought and Sold Day Books* (which should both be summarised or dissected, see page 92), the *Cash Book*, *Bill Books*, and *Journal* into Messrs. Maxey and Bell's *Bought, Sold* and *Private Ledgers*, opening subsidiary Goods and P/L. A/cs., and having balanced the A/cs. to draw out a T.B. showing balances, a P/L. A/c., and a B/S., journalising the Closing Entries :—*Unless stated otherwise, all receipts are paid into, and all payments out of the Office Cash.*

Chas. Maxey and Walter Bell enter into partnership under the name of Maxey & Bell, on 1st Apr., 1906. Maxey is to get two-thirds and Bell one-third of the profits. Int. at 5% is to be

allowed on the Partners' Cap. A Bank A/c. is opened, C. Maxey pays therein £3250 and W. Bell £1625. (*Enter in Cash Book.*)

They purchase the business and Stock of Herbert Lanfear, Cheese, Bacon, and Butter Merchant, at £4057 10s., as follows: Bacon, £1850; Cheese, £900; Butter, £1150; Boxes, Cases, &c., £32 10s.; Fittings, Fixtures and Furniture £125 (*Enter in Journal*) ..... £4057 10 –

| | | | | |
|---|---|---|---|---|
| Maxey & Bell pay by cheque to H. Lanfear ..... | | 2557 | 10 | – |
| And accepted his draft at 3 mos. for balance (148).. | | 1500 | – | – |
| Apl. 2. | Bot. of Chas. Gould: Bacon, £325; Cheese £155 ..... | 480 | – | – |
| ,, 5. | Accepted Bill at 3 mos. payable to C. Gould | 480 | – | – |
| ,, 9. | Sold J. Clark: Bacon £125; C. £50; B. £46 | 221 | – | – |
| ,, 9. | Sold for Cash: Bacon £52 10s.; Cheese £13; Butter £5 10s. ..... | 71 | – | – |
| July 4. | Paid by Cheque Bill falling due to-day (146) | 1500 | – | – |
| ,, 8. | Retired by Cheq. Bill maturing to-day (146) | 480 | – | – |
| ,, 8. | Sold J. Clark: Bacon £170; Butter £127 | 297 | – | – |
| ,, 9. | Bought of Henry Johnson: Butter ..... | 230 | – | – |
| ,, 9. | Accepted H. Johnson's Draft at 3 mos. .. | 230 | – | – |
| ,, 9. | J. Clark returned bacon because badly bruised ..... | 12 | 10 | – |
| ,, 9. | W. Bell takes for private purposes: Bacon £10; Cheese £1; Butter £7 10s. (78) (*Sales Book*) ..... | 18 | 10 | – |
| ,, 9. | Purchased for Cash: Bacon..... | 5 | – | – |
| ,, 9. | Paid Cheque for Boxes, Cases, &c. ..... | 125 | – | – |
| Oct. 4. | James Clark pays Cash, which is at once paid into the Bank £490. Allowed Dis. £15 10s. | 505 | 10 | – |
| ,, 12. | Met by Cheque Bill falling due to-day (146) | 230 | – | – |
| ,, 12. | C.Maxey withdraws by Cheque for private use | 50 | – | – |
| ,, 12. | W. Bell withdraws for private use: Cash(78) | 12 | 10 | – |
| Nov.1. | Bot. of C. Gould: Bacon £300; Cheese £150 | 450 | – | – |
| ,, 15. | Pd. Cheq. to C. Gould, £427 10; Dis. £22 10 | 450 | – | – |
| 1907. | | | | |
| Feb. 4. | Bought of H. Johnson: Butter ..... | 400 | – | – |
| ,, 4. | Accepted H. Johnson's draft at 3 mos. (172) | 400 | – | – |
| ,, 5. | Sold J. Clark: Bacon £250; C. £200; B. £75 | 525 | – | – |
| ,, 5. | Recd. Cash on A/c. from James Clark .... | 100 | – | – |
| ,, 7. | SoldWm.Morris: Bacon£225; C.£175; B.£71 | 471 | – | – |
| ,, 7. | Recd.fromW.Morris, and pd. into Bank (91) | 200 | – | – |
| ,, 15. | Paid Wages in Cash..... | 52 | – | – |
| ,, 15. | Paid by Cheque, year's rent of premises.. | 75 | – | – |
| ,, 16. | Sold for Cash: Bacon £80; Cheese £12 10s.; Butter £56 10s. ..... | 149 | – | – |
| ,, 16. | Paid into Bank..... | 250 | – | – |
| ,, 28. | Boxes, Cases, &c., used during the year may be charged to the following:—Bacon £66 10s.; Cheese £30; Butter £25 .... | 121 | 10 | – |
| ,, 28. | *Value of Boxes, Cases, etc., on hand* ..... | 36 | – | – |

| | | | | |
|---|---|---|---|---|
| Feb. 28. | *Stock of Goods on hand : Bacon* £1896 10s. ; *Cheese* £1064 10s. ; *Butter* £1379 .....£4340 | – | – | |
| ,, 28. | Write off 10% Depreciation of Fittings(82) | | | |
| ,, 28. | Credit for Int. on Cap. : C. Maxey (71) | 162 | 10 | – |
| ,, 28. | Do. do. W. Bell ..... | 81 | 5 | – |
| ,, 28. | Debit for Int. on Drawings : C. Maxey (78) | 1 | 6 | 5 |
| ,, 28. | Do. do. W. Bell .... | – | 10 | 11 |

**Answer.**—*Trial Balance : totals* £21839 12 4; *balances* £5525 15 -; *Gross Profit on Bacon* £250. *Cheese* £281. *Loss on Butter* £37 10. *Net Profit* £119 2 4. *Bal. C.M. Cap. A/c.*, £3440 11 9. *W.B. Cap. A/c.*, £1714 8 3. *Total of B/S.* £5555.

**Exercise 43.** (*W.R.C.C. Inter.*, 1900.) *Tabular.*

Record the following transactions of Murray & Co., by means of Journal, two Day Books, C.B., and Ledger. The receipts and payments (except P.C. Payments) are through the Bank. Journalise bill transactions. Show the gross profits of A. & B. Departments separately. Each item of sale or purchase is marked A or B, representing the two Depts. Divide net profit in proportion to each Partner's Cap. Show P/L. A/c. and B/S. 31st March, 1900.

*Liabilities :* City Bank, Ltd., £1469 17 3 ; John Murray, Loan, £200 ; Sam Matthews, £164 11 3 ; two B/P. :—Jones Bros., due Feb. 3rd, £120 ; Proctor & Co., due Mar. 3rd, £180. *Assets :* Bryde & Son, £136 15 ; two B/R. ; Monteith Bros., due Jan. 4th, £55 17 6 ; Hy. Speight, due Feb. 3rd, £69 10 ; Fixtures & Furniture, £137 14 ; P.C. 14/11 ; Stock A. Dept., £1470 9 ; B. Dept., £1859 3 1. *Capital* :—Robert Murray, £957 9 ; Fredk. Wade, £638 6.

| | | | | |
|---|---|---|---|---|
| Jan. 3. | Paid to Bank Monteith's Bill (146)..... | £55 | 17 | 6 |
| ,, 5. | Bryde & Son accept 3 mos. Bill, £100, and pay Cash £36 ; and Dis. 15/- (171) .... | 36 | 15 | – |
| ,, 6. | Sold Goods (A) to Sam Matthews ..... | 43 | 19 | 2 |
| ,, 8. | Cheque drawn for P.C. (76) ..... | 3 | – | – |
| ,, 10. | Sold Goods (B) to Harold Langton, £76 14 11 and (A) £143 19 6 ..... | 220 | 14 | 5 |
| ,, 11. | Bot. of Jones Bros., Goods (A) ..... | 49 | 3 | 9 |
| ,, 12. | Bot. of Mathers & Co., Goods (B) ..... | 54 | 1 | 1 |
| ,, 13. | Paid Fire Insurance..... | 3 | 16 | – |
| ,, 16. | Sold Goods (B) to Monteith Bros. and recd. 3 mos. Bill (146,171) ..... | 98 | 1 | 11 |
| ,, 31. | Pd. Salaries £24 10s. and P.C. Payments 17/6 | | | |
| Feb. 1. | Speight's Bill handed to Bank (145)..... | 69 | 10 | – |
| ,, 3. | Bot. Goods (A) of Sam Matthews ..... | 37 | 10 | 11 |
| ,, 3. | Retired Bill due this day (146) ..... | 120 | – | – |
| ,, 3. | Sold Goods (A) to Harry Speight ..... | 24 | 19 | 6 |
| ,, 5. | Sold Goods (B) to Bryde & Son ..... | 76 | 10 | 2 |
| ,, 6. | Bank notify that Speight's Bill is dishonoured with 3/- expenses (166) ..... | 69 | 13 | – |
| ,, 19. | Pd. Mathers & Co., £53 10s. ; dis. 11/1 ... | 54 | 1 | 1 |
| ,, 20. | Bot. Goods (B) of Jones Bros..... | 86 | 1 | 11 |

| | | | | | |
|---|---|---|---|---|---|
| Feb. 22. | Sold Goods (A) to Monteith Bros., £193 2 11 and recd. Bill (171) | £86 | 10 | 9 |
| ,, 24. | Bot. Goods (B) of Walker & Sons | 49 | 17 | 3 |
| ,, 28. | Paid Salaries £19 5s., and P.C. Payments | – | 15 | 4 |
| ,, 28. | Paid Rates | 12 | 5 | 6 |
| Mar. 3. | Retired Bill, due this day (146) | 180 | – | – |
| ,, 5. | Bot. Goods (A) of Sam Matthews | 56 | 9 | 9 |
| ,, 14. | Accepted Jones Bros. Bill, 3 mos. £135, dis. 5/8 (172) | 135 | 5 | 8 |
| ,, 20. | Recd. first and final Div. on Speight's Debt, 10/- in the £ (74, 95a) | 47 | 6 | 3 |
| ,, 21. | Bot. Goods (A) of Jones Bros. | 24 | 8 | 1 |
| ,, 22. | Sold Goods (B) to Bryde & Son | 201 | 9 | 6 |
| ,, 24. | Gave S. Matthews Bryde & Son's Acceptance due April 8th (146) | 100 | – | – |
| ,, 26. | Pd. Walker & Sons £47 10s.; dis. £2 7 3 | 49 | 17 | 3 |
| ,, 31. | Pd. Salaries £21 15s.; P.C. Payments 14/5 | | | |
| ,, 31. | Pd. John Murray 3 mos. int. £2 10; Pd. Rent | 25 | – | – |
| ,, 31. | Bank charge int. £21 15 9; Comm. £1 (92) | 22 | 15 | 9 |
| ,, 31. | Depreciation of Fixtures (82) | 3 | 14 | – |
| | *Stock in hand* (*A*) £1376 3 11 (*B*) £1703 14 8. | | | |

Answer.—*Trial Balance : totals* £6337 17 - ; *balances* £3938 18 7. *Gross Profit on A. Dept.* £144 3 6 ; *on B. Dept.* £107 7 10. *Net Profit* £68 15 7. *Bal. of R.M. Cap. A/c.* £998 14 4, *F.W. Cap. A/c.* £665 16 3, *Total of B/S.* £4005 5 2.

**191. MORTGAGES,** which are either legal or equitable, are pledges of real or leasehold property given sa securities for money advanced. A **legal mortgage** is one where the borrower, known as the *mortgagor*, executes a deed charging his property in favour of the lender, who thus becomes the *mortgagee*. Such a deed contains a proviso for redemption, entitling the *mortgagor* to a reconveyance of his property on repayment of principal together with interest and costs to the *mortgagee*. An **equitable mortgage** is one of any other kind, even a mere deposit of title deeds by a debtor with his creditor, without verbal communication, is deemed evidence of a contract for a mortgage of the estate referred to in such deeds. The stamp duty on mortgages is 2/6 per £100.

Perhaps during the course of your business career you may wish to raise a sum of money. You possess land and buildings which you do not care to sell ; therefore you offer a mortgage upon them, say to Smith, for £2000, which sum you borrow at 6%. To obtain such

an amount the property should be worth not less than £3000 (the £1000 difference being the "margin") in order to afford a good security to Smith, the *mortgagee*. As *mortgagor*, you would sign the mortgage (which would be prepared by a Solicitor) and hand over the title deeds of the property to Smith. This security might be redeemed at any time on giving due notice to the *mortgagee*, or on the latter calling in the money. In case of default in payment of either principal or interest by you, the *mortgagee* could sell the estate and repay himself the amount owing. On obtaining such a loan you would open and Cr. **John Smith, Mortgage A/c.** debiting either Cash or Bank. On repayment of the whole or any portion of the *principal* you would debit the Mortgage A/c. All payments of **interest,** being losses, would need debiting to the Interest A/c., and *not* to the Mortgage A/c. The amount of the mortgage must be shown in the B/S. among the Liabilities, and must *not* be deducted from the value of the premises on the Assets side. **Foreclosure** is the forfeiture by a mortgagor of his right to redeem the security, known in law as the Equity of Redemption ; (the difference between the amount owing by the mortgagor and the total value of his security) by reason of his default in payment of the principal or interest of the mortgage debt within a reasonable time.

**192. OVERDRAFT** is the term applied to the sum of money owing by a customer to his banker on *current account*, as distinguished from a specific *loan*. It is part of the business of a banker to advance money to his customers by allowing them to overdraw their A/cs. Interest is, of course, charged from day to day, for the amount overdrawn. Before allowing an a/c. to be overdrawn, bankers generally insist on some security being given, such as a Bond by some responsible person ; the deposit of title deeds ; stock and share certificates, assurance policies, etc. The deposit of such securities is usually accompanied by a written memorandum of agreement called an "equitable mortgage," setting forth the conditions of the loan, and stating that the deposit of certain valuable documents are as a guarantee.

Occasionally a legal mortgage of land and buildings is given as security. In the case of a *further* security being given for a loan or overdrawn a/c., beside the debtor's promise, bond, or mortgage, the latter would be called the **principal security;** while the extra or additional guarantee would be termed a **collateral security,** which is a deed charging further property, besides that already mortgaged, for the better safety of the banker. In commencing an exercise where an **overdraft** had been obtained from the Bank, the amount thereof must be entered on the *Cr.* side of the Cash Book. The overdraft would be shown in the B/S. among the Liabilities.

**193. CONTRACTS.** A contract is an agreement entered into between competent persons with a lawful consideration or cause whereby each person binds himself to do, or abstain from doing, certain acts. An undertaking to do certain work or supply certain articles for a specified consideration. Just as you open certain a/cs. for consignments, for the purpose of ascertaining the result of a special branch of business, so you must open a special a/c. whenever you enter into an agreement to do certain work at a stipulated figure, in order that you may know the result of such an undertaking. You will open an **impersonal a/c.** headed **Contract a/c.** and debit it with the cost of material, cartage, use of plant, workmen's wages, incidental expenses, &c., and credit it with any instalments received during the progress of the work; and on completion credit it with the balance of the contract price (if any). When plant, &c., which has been used upon a contract is sold at a depreciation, the *difference* between its valuation on the contract and the price realised, must be debited to the Contract A/c. affected. The *difference* of the Contract A/c. when complete, being a gain or loss must be carried to the Trading or P. & L. A/c. Should the contract be *incomplete*, the *difference* will be an *asset*, and must therefore appear in the B/S. If a balance remains owing on the *completion* of a contract it must be transferred through the journal to the **personal a/c.** of the debtor with whom you have contracted.

**Dr.** **Contract No. 17.** **Cr.**

| 1921 | | £ | s. | d. | 1921 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Feb. 1 | To Balance b/d .. | 449 | 19 | 7 | Feb. 4 | By Cash on A/c. | 754 | - | - |
| ,, 2 | ,, Wages ..... | 75 | 16 | - | ,, 25 | ,, ,, (Final) | 1000 | - | - |
| ,, 4 | ,, Insurance .... | 4 | 10 | - | | | | | |
| ,, 9 | ,, Wages ..... | 86 | 4 | - | | | | | |
| ,, 14 | ,, Materials..... | 432 | - | - | | | | | |
| ,, 16 | ,, Wages ..... | 31 | 6 | - | | | | | |
| ,, 20 | ,, Materials..... | 124 | - | - | | | | | |
| ,, 23 | ,, Wages ..... | 74 | 15 | 3 | | | | | |
| ,, 28 | ,, *Transfer to P. & L. A/c.* | 475 | 9 | 2 | | | | | |
| | £ | 1754 | - | - | | £ | 1754 | - | - |

**Dr.** **Contract No. 19.** **Cr.**

| 1921 | | £ | s. | d. | 1921 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Feb. 1 | To Balance b/d .. | 688 | 12 | - | Feb. 6 | By Cash on A/c. | 350 | - | - |
| ,, 2 | ,, Wages ..... | 51 | 10 | 6 | ,, 28 | ,, *Balance c/d* .. | 1329 | 2 | 4 |
| ,, 5 | ,, Materials..... | 241 | 7 | 6 | | | | | |
| ,, 9 | ,, Wages ..... | 32 | 17 | - | | | | | |
| ,, 14 | ,, Materials..... | 216 | - | - | | | | | |
| ,, 16 | ,, Wages ..... | 82 | 5 | 8 | | | | | |
| ,, 20 | ,, Materials..... | 314 | 5 | 8 | | | | | |
| ,, 23 | ,, Wages ..... | 52 | 4 | - | | | | | |
| | £ | 1679 | 2 | 4 | | £ | 1679 | 2 | 4 |
| Mar. 1 | To Balance b/d .. | 1329 | 2 | 4 | | | | | |

**194.** While the above method of recording transactions is quite correct, and shows all the facts in a concise form, as well as in such a manner as would be acceptable at a public examination; still in **practical work,** the cash instalments would *not* be passed through the Contract A/c. at all, but a **personal a/c.** would be opened for the same. On *completion* of the Contract the *total value* of the contract would, by a journal entry, be debited to the debtor and credited to the Contract A/c. The following examples illustrate this method.

**Dr.** **Contract No. 125 (Ex. 50).** **Cr.**

| 1894 | | £ | s. | d. | 1894 | | £ |
|---|---|---|---|---|---|---|---|
| Jan. 1 | To Balance b/d .. | 1315 | 10 | 4 | Jan. 28 | By Mercia Tank Proprietor's A/c | 3100 |
| ,, 9 | ,, Materials..... | 132 | 7 | 6 | | | |
| ,, 13 | ,, Wages ..... | 107 | 5 | - | | | |
| ,, 27 | ,, Wages ..... | 22 | 11 | | | | |
| ,, 31 | ,, Inspector's Fees | 31 | 10 | - | | | |
| ,, ,, | ,, *Transfer to P. & L. A/c.* | 1490 | 16 | 2 | | | |
| | £ | 3100 | - | - | | £ | 3100 |

**Dr.** **Mercia Tank Proprietors.** (Ex. 50). **Cr.**

| 1894 | | £ | 1894 | | £ |
|---|---|---|---|---|---|
| Jan. 28 | To Contract No. 125 | 3100 | Jan. 6 | By Cash ..... | 1000 |
| | | | ,, 28 | ,, Cash ..... | 1650 |
| | | | ,, 31 | ,, *Balance c/d*..... | 450 |
| | | £ 3100 | | | £ 3100 |
| 1894 | | | | | |
| Feb. 1 | To Balance b/d ..... | 450 | | | |

**195. SINGLE ENTRY** is the term used to describe all attempts at Book-keeping which fall short of that perfect and universal system known as **Double Entry.** Notwithstanding the advance of education and the adoption of improved systems in the mercantile world, the majority of the proprietors of the smaller class of businesses still know nothing of the practice of Double Entry, relying entirely for their financial information as to the conduct of their businesses on the imperfect records produced by what is called "Single Entry."

Some authors and teachers suffer from the **delusion** that it is necessary to teach Single Entry before Double Entry, whereas it is both educationally and commercially wrong to teach it at all. Single Entry should only be referred to by way of warning, when dealing with the earlier stage of the subject, as it is liable to **confuse** the mind of the student. It is only when the principle of Double Entry has been thoroughly mastered that the imperfections of Single Entry, and its conversion to the perfect system of Double Entry, may be satisfactorily dealt with.

**196. Single Entry,** as its name indicates, **ignores** the **double effect** of the transaction, and therefore does not usually make a double record, being content merely to keep **Personal A/cs.** with the debtors and creditors of the concern, and absolutely failing (except in the case of Cash) to keep any Impersonal A/cs. such as Capital, Goods, Buildings, Fixtures & Fittings, Machinery, Bills of Exchange, Goodwill, Patents, Copyright, Expenses, Wages, Repairs, Rent, Rates, Depreciation, Bad Debts, etc. The imperfection of this record renders it impossible either to check or *test* the arithmetical **accuracy** of the books, because no Trial Balance can be

obtained, or to prepare a Trading and Profit & Loss A/c. showing **how** the **profit** has been **earned** or the **loss sustained.**

**197.** There are those who are under the impression that **Double Entry** means double work, whereas the name of this system does not arise from the *quantity* of the work involved, but from the necessity to perfectly record every transaction by **two entries,** owing to the fact that each transaction involves **two parties** in the making of it, and therefore has a **double effect.** Many business men adopting Single Entry keep at least **four books:** (1) Cash Book ; (2) Purchases Day Book ; (3) Sales Day Book ; (4) Ledger. The transactions entered in these books are posted to the a/cs. of their **debtors** and **creditors** only, no totals of Purchases or Sales ever being posted to their respective a/cs. Neither are the expenses nor the discounts posted from the Cash Book, and no Capital A/c. is kept. It will be seen that in such cases very little work is needed, in the way of posting, to obtain the advantages of Double Entry, which not only provides an accurate statement on a given date, but, through the medium of the Profit & Loss A/c., shows **how** the profits have been earned during a given period

**198.** In **Single Entry** the only method by which it is possible to ascertain what profit has been made is to **compare** the **total** amount of the Proprietor's **Capital** at a given date, with the amount at a subsequent date, any **excess** of Capital representing a **profit** and any **decrease** representing a **loss** during the period. To this end it is usual to prepare what is known as a **Statement of Affairs,** which is merely a *list* of Assets and Liabilities, on a given date, and is similar to an ordinary Balance Sheet, the principal *difference* between them being that whereas a Balance Sheet is constructed from a set of books kept by Double Entry and therefore **provable,** a Statement of Affairs is compiled from a set of imperfect books, and such other data, as may be available, the arithmetical **accuracy** of which **cannot be proved.** For example, the **Statement of Affairs** of **John Smith** on the 1st January, 1914, was as follows :—

| Liabilities. | | Assets. | |
|---|---|---|---|
| Sundry Creditors..... | £3500 | Freehold Premises..... | £2000 |
| CAPITAL ..... | 5500 | Plant & Machinery ... | 1000 |
| | | Stock-in-Trade..... | 2500 |
| | | Sundry Debtors ..... | 3000 |
| | | Cash ..... | 500 |
| | £9000 | | £9000 |

On 31st December, 1914, Smith finds his Liabilities to Creditors to be £3750. His Assets were :—Freehold Premises £2000, Plant & Machinery £1200, Stock-in-Trade £2600, Sundry Debtors £3500, Cash £600. His drawings during 1914 amounted to £500, and the sum of £200 realised by the sale of a cottage was paid into the business. Prepare Statement of Affairs, also show what profit was made, and compile a Capital A/c.

**Statement of Affairs of John Smith on 31st December, 1914.**

| Liabilities. | | Assets. | |
|---|---|---|---|
| Sundry Creditors..... | £3750 | Freehold Premises..... | £2000 |
| CAPITAL ..... | 6150 | Plant & Machinery ... | 1200 |
| | | Stock-in-Trade..... | 2600 |
| | | Sundry Debtors ..... | 3500 |
| | | Cash ..... | 600 |
| | £9900 | | £9900 |

| | |
|---|---|
| **Capital** of John Smith on 31st December, 1914 .... | £6150 |
| *Add* Drawings for the year..... | 500 |
| | 6650 |
| *Less* additional Capital paid into the business .. | 200 |
| | 6450 |
| Deduct **Capital** as on 1st January, 1914 ..... | 5500 |
| **Profit** of John Smith's business for the year 1914 ... | £950 |

**Dr. Capital A/c. of JOHN SMITH. Cr.**

| 1914 | | £ | 1914 | | £ |
|---|---|---|---|---|---|
| Dec. 3 | To Drawings for year ..... | 500 | Jan. 1 | By Excess of Assets over Liabilities | 5500 |
| ,, 31 | ,, *Balance of Capital* being excess of Assets over Liabilities .. | 6150 | Dec. 31 | ,, Proceeds of Sale of Cottage .. | 200 |
| | | | ,, 31 | ,, Profit for year. | 950 |
| | | £6650 | | | £6650 |
| | | | 1915 | | |
| | | | Jan. 1 | By Balance b/d .. | 6150 |

Smith is not only ignorant as to **how** the **profit** of £950 has been earned, but he is also without information as to his turnover, or its relation to the various expenses incurred. Owing to the **absence** of any **check** on the **accuracy** of the **figures,** such as is afforded in Double Entry by the Trial Balance, numerous errors may exist in the above Statement of Affairs, for example :—(1) Sundry Creditors undercast by £200 ; (2) Creditors for £250 not posted ; (3) A portion of the Freehold Land sold during year for £300 ; (4) Sundry Debtors overcast by £100 ; (5) An unpresented cheque payable to a creditor, not deducted from Cash at Bank £150. These five errors would turn an **alleged Profit** of £950 into a **Loss** of £50 for the year.

**199.** To **convert** a **set of books** from **Single Entry** to **Double Entry at a given date** merely necessitates the preparation of a Statement of Affairs, similar to that of John Smith, and the posting of the various Assets and Liabilities to their respective a/cs. in the Ledger. All subsequent transactions would then be passed through the books of **Original Entry** and posted in accordance with the principle of Double Entry.

**200.** The **Conversion** of a set of books from **Single Entry** to **Double Entry for a given period,** such as those of John Smith, for the year 1914, if proper subsidiary books had been kept, would involve (1) the journalising and posting of the Opening Entries from the Statement of Affairs on the 1st January, 1914, (2) the totalling of the subsidiary books and the posting of such totals to their Impersonal A/cs. ; (3) the posting and analysing of all the unposted items from the Cash Book, particularly Drawings, Expenses, and Discount ; (4) the preparation of a Trial Balance ; (5) the compilation of Trading, Profit & Loss, and Capital A/cs., and B/S.

**201.** In practice, however, it will generally be found that books kept by **Single Entry** are in a state of

**confusion,** and that if subsidiary books have been kept, they are of a very imperfect character. It then becomes necessary to analyse all the transactions in the various books, for the period under review. The time and expense involved in such a laborious process is altogether out of proportion to the value of the information obtained, so far as private purposes are concerned. Such an analysis would rarely be made except by order of the Court, for the special purpose of satisfying some legal requirements. The preparation of the analysis would proceed on the following lines :— (**1**) The compilation of a **Statement of Affairs** at the beginning of the period, say, 1st January, 1914 ; (**2**) Analysis of **Sales Ledger,** *debtor side*—(*a*) Opening balances, (*b*) Sales, (*c*) Other debits, such as dishonoured bills, interest, transfers, cash paid to customers, etc., (*d*) Total. *Credit side*—(*a*) Cash received from customers, (*b*) Discount allowed, (*c*) Returns Inwards and Allowances, (*d*) Bills Receivable, (*e*) Other credits, such as bad debts, transfers, purchases, etc., (*f*) Closing balances, (*g*) Total ; (**3**) Analysis of **Purchases Ledger,** *Debtor side*—(*a*) Cash paid to creditors, (*b*) Discount received, (*c*) Returns Outwards and Allowances, (*d*) Bills Payable, (*e*) Other debits, (*f*) Closing balances, (*g*) Total. *Credit side*—(*a*) Opening balances, (*b*) Purchases, (*c*) Other credits, (*d*) Total ; (**4**) When a Cash Book has been kept the figures should be reconciled with the Bank Pass Book, and the vouchers examined. If no Cash Book has been kept a total Cash A/c. must be prepared from the Bank Pass Book, and Wages and Petty Cash Books, and the analyses of the Ledger. Expenses and Drawings would, of course, be ascertained from the Cash Book, and charged to their respective a/cs. ; (**5**) The **totals** or results of the **analyses** would all be posted to their respective a/cs. and a Trial Balance prepared ; (**6**) **Adjustments** for Bad Debts, Depreciation, Expenses accrued, Payments in advance, Interest on Capital and Loans, should then be made ; (**7**) A Final Trial Balance, Trading & Profit & Loss A/cs. and Balance Sheet can then be prepared.

**Ruling** for **Analysis** of **Sales Ledger.** Debit Side.

| Led. Fol. | Opening Balances. | Sales. | Special Items. | Total. |
|---|---|---|---|---|
| | | | | |

Credit Side.

| Led. Fol. | Cash. | Discount. | Returns Inwards. | Bills Receivable. | Special Items. | Closing Balances. | Total. |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

**Ruling** for **Analysis** of **Purchases Ledger.** Debit Side.

| Led. Fol. | Cash. | Discount. | Returns Outwards | Bills Payable. | Special Items. | Closing Balances. | Total. |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

Credit Side.

| Led. Fol. | Opening Balances. | Purchases. | Special Items. | Total. |
|---|---|---|---|---|
| | | | | |

The **LANCASHIRE & CHESHIRE UNION of INSTITUTES** hold their examination every March, the entrance fee being 2/6 for external students. A Syllabus may be obtained (post free 11d.) from the *Secretary*, 33 *Blackfriars Street, Manchester.* The results are generally announced about the end of June. The marks on the Junior Examination Paper are now apportioned as follows : theory 15, practical a/cs.,—part 2, 60 ; part 3, 25.

**LANCASHIRE & CHESHIRE UNION.** (*Junior*, 1907.)

**Part I. 1.** What do you understand by :—(*a*) Capital, (*b*) Voucher, (*c*) Bringing down a balance ? **2.** Mention two or three ways in which a cheque can be crossed. **3.** What is a Bank Pass

Book ? Explain its use to a business man. **4.** Rule the form of a Petty Cash Book, and enter an amount of £12 received by the petty cashier on the 1st Mar., 1907, and the details of four payments made by him for the week ended 8th Mar. Bring down the balance. **5.** On 1st Jan., 1907, John Smith had Cash £5 10s., Cash at Bank £60 10s., Goods £125, and Wm. Alton owed him £7. He owed Arthur Roberts £27 10s. Journalise (only) the above.

**Part II.** **6.** On 1st March, 1907, Chas. Henry Smithson commenced business as a Grocer with £1000 Capital, of which £950 was paid into his Banking A/c., and £50 retained as Cash in hand for business purposes. Enter in the proper books, post to Ledger, and take out Trial Balance.

| | | | |
|---|---|---|---|
| Mar. 1. | Purchased Goods at J. Robinson & Son's auction mart, and paid cheque | £731 | 5 |
| | Bought Office Furniture & Fittings for Cash | 38 | – |
| ,, 9. | Sold to Mrs. B. Vero, Goods | 7 | 5 |
| ,, 13. | Purchased from Lipton's, Ltd., Tea | 28 | 10 |
| ,, 15. | Purchased from J. G. Cooper, Sugar | 13 | 5 |
| ,, 16. | Paid Lipton's, Ltd., Cheque in full settlement | 27 | – |
| ,, 18. | Goods bought at Robinson's auction mart for cash | 10 | – |
| ,, 19. | Sold to Mrs. A. Harker, Goods | 3 | 3 |
| ,, 25. | Recd. from Mrs. B. Vero, Cash £7, allowed Dis. | – | 5 |
| ,, 29. | Cash Sales for month | 132 | – |
| | Paid Shop Assistants wages for month (Cash) | 5 | 6 |
| | Paid Rent for month (Cheque) | 5 | – |
| | Paid Trade Expenses for month (Cash) | 9 | 10 |
| | Paid into Bank | 102 | 5 |

**Part III.** **7.** Prepare P. & L. A/c. and Balance Sheet on 31st March, 1907. *Value of Stock*, £659 3s.

**Answer.**—*Gross Profit*, £18 11s., *Net Profit, Nil*; *Bal. of Cap.* £1000. *Total of B/S.* £1013 5s.

## LANCASHIRE & CHESHIRE UNION. (*Junior*, 1908.)

**Part I.** **1.** Explain the meaning of the following :—(*a*) Personal A/c., (*b*) Impersonal A/c., (*c*) Crossed Cheque, and give an example of each. **2.** What is the object of a Goods A/c., and how is it balanced ? **3.** Explain the difference between Cash discount and Trade discount. **4.** On 1st April, 1908, James W. Barlow had Cash in hand £17 10s. Goods on hand, £50 10s., and W. Anson and Chas. Harper owed £20 10s. and £17 respectively ; Barlow had no liabilities, excepting Lloyd's Bank, Ltd., to whom he owed £17 10s. Journalise (only) the above. **5.** Make out Sam Jay's A/c. in your Ledger in respect of the following dealings during March, 1908 :—Mar. 2, Jay buys Goods from you £20 ; Mar. 8. You receive Cash from Jay on A/c. £15 ; Mar. 10. You sell Goods to Jay £16 ; Mar. 31. You buy Goods from Jay £2.

**Part II. 5.** On 1st March, 1907, Wm. Slater commenced business with a balance at his bankers of £1500, and Cash in office £225. Enter in the proper books, post to Ledger, and take out T.B.

| | | |
|---|---|---|
| Mar. 1. | Purchased goods for Cash | £175 |
| ,, 2. | Paid for Office Furniture & Fittings, Cash | 10 |
| ,, 5. | Paid into Bank | 25 |
| ,, 6. | Sold W. Anson, Goods | 142 |
| ,, 9. | Received from W. Anson on A/c. | 100 |
| ,, 12. | Sold J. Wormald, Goods | 35 |
| ,, 15. | Received from J. Wormald £32 ; allowed Dis. £3 | 35 |
| ,, 16. | Bought of Sims & Co., Goods | 80 |
| ,, 19. | Paid Cheque to Sims & Co. in full settlement | 76 |
| ,, 19. | Purchased from Emile Robarts, Goods | 50 |
| ,, 31. | Cash Sales for month | 20 |
| | Paid Wages by Cash | 15 |
| | Paid Rent for month by Cheque | 10 |
| | Paid into Bank | 100 |

**Part III. 6.** Prepare P. & L. A/c. and Balance Sheet on 31st March, 1907. *Value of Stock*, £128.

**Answer.**—*Gross Profit*, £20 ; *Net Loss*, £4 ; *Balance of Cap.* £1721 ; *Total of B/S.*, £1771.

## LANCASHIRE & CHESHIRE UNION. (*Junior*, 1909.)

**Part I. 1.** What is the use of the Journal ? Give two examples illustrating the class of items which can be passed through the Journal. **2.** What is meant by " Consignment A/c. " ? Albert Jones sends to Jamaica, on consignment a/c., goods to the value of £600. He also pays for freight and insurance charges £22. What books would these entries be passed through and how ? **3.** What do you understand by a " Returns Book ? " Make the rulings of such a book for a company who have a number of returns, and whose business is divided into the three following departments :—Woollens, cottons, silks. **4.** William Robinson owes you for goods sold to him on 2nd July, 1908, £275 16s. On 6th July, 1908, he sends a bill for £125 due on 1st Oct., 1908, and also cash on a/c. of the balance, £62 17 6. On the 1st Oct., 1908, he fails to meet his bill, and you pay for noting the dishonoured bill 1/6. On 31st Dec., 1908, you receive from his Trustee in Bankruptcy a first and final dividend of 6/8 in the £. Show William Robinson's Ledger A/c. in your books. **5.** What is meant by :—(*a*) Gross Profit, (*b*) Net Profit ? A man's turnover for the year ended 31st Oct., 1908, is £12500, his Gross Profit is £2500, his Net Profit is £750. What is the rate per cent. on the turnover for Gross Profit and also for Net Profit ? **6.** You supply Mr. Lloyd Asquith with goods of the value of £550, and he gives you in payment a B/E. due on 1st Jan., 1909. On 1st Nov., 1908, you discount the bill at the rate of 5% per ann. How much cash will you receive, and give the entry that you will make in your cash book on this date.

**Part II. 7.** On 1st Feb., 1909, Henry Wood commenced business with the following **Assets**:—Cash in hand £50 1 6; Cash at Bank £864 7 6; Stock-in-trade £560; William Jones £162 1 3; Jas. Slater £124 2 6. His **Liabilities** are:—John Jackson £400 2 9; A. Wilson £103 15 -; Webster & Co. £156 15 -. Enter in the proper books, post to Ledger, and take out Trial Balance.

| | | | |
|---|---|---|---|
| Feb. 1. | Sold Goods to Wm. Jones | £80 | 10 |
| ,, 2. | Gave Bill to A. Wilson at 3 mos. in settlement. | 101 | – |
| ,, 3. | Paid to John Jackson on A/c. by Cheque | 100 | – |
| ,, 4. | Drew from Bank for Petty Cash | 10 | – |
| ,, 5. | Cash Sales | 125 | – |
| ,, 6. | Paid into Bank | 150 | – |
| ,, 9. | Bought of Webster & Co., Goods | 250 | – |
| ,, 11. | Recd. from Wm. Jones, Bill at 4 mos. in settlement | 236 | – |
| ,, 12. | Bought Office Furniture and Fittings by Cheque | 50 | – |
| ,, 13. | H. Woodwithdraws from Bank for private purposes | 180 | – |
| ,, 13. | Pd. out of Petty Cash, Stamps, and Sundry Exs. | 3 | – |
| ,, 15. | Sold Goods to Jas. Slater | 200 | – |
| ,, 17. | J. Slater returns goods, being inferior to sample | 20 | – |
| ,, 19. | Paid Webster & Co. Cheque £300, Dis. £7 10 - | 307 | 10 |
| ,, 23. | Paid John Jackson on A/c. Cheque £100. Dis. £5 | 105 | – |
| ,, 28. | Received Rent from sub-tenant | 6 | – |
| ,, 28. | Drew Cheque for £60, and paid Wages | 57 | – |
| ,, 28. | Rent *due* to Landlord | 36 | – |
| | Credit Capital with Interest | 6 | 10 |
| | Depreciate Office Furniture | 4 | – |

**Part III. 8.** Close the a/cs., bring down balances, prepare P. & L. A/c. and B/S. on 28th Feb., 1909. *Value of Stock* £484 10s.

**Answer.**—*Gross Profit*, £60; *Net Loss*, £31 16 3; *Bal. of Cap.* £894 13 9; *Total of B/S.* £1326 1 6.

## LANCASHIRE & CHESHIRE UNION. (*Junior*, 1910.)

**Part I. 1.** What do you understand by an "Inward Invoice"? Into what book would it be entered and to which side of a personal a/c. in the ledger would the amount be posted? How would it be dealt with for easy reference? **2.** What is the difference between "bankers' discount" and "true discount?" You discount with your banker a B/E. at three months for £200, the bank rate being 4%. What amount would your banker charge for discounting such bill? **3.** Who are the parties to a B/E.? Make out a B/E. showing the amount of stamp duty, drawn by K. Hindley on J. Thompson for £312 9s. 6d., dated 5th March, 1909, at three months' date. Show also the acceptance and endorsement of such bill.

**4.** On the 1st Jan., 1910, John Mason supplies you with goods value £200. His terms are 5% dis. if you pay cash on the 31st Jan., or net if you pay by a six months' bill dated from the 1st Jan.

Which method would you adopt in paying Mason's a/c., assuming that on the 1st Jan., 1910, you had £400 in the bank on which interest was being earned at 3% per ann ? Give reasons for your answer. **5.** Define the following terms :—(*a*) Capital expenditure. (*b*) Revenue A/c. (*c*) Depreciation. (*d*) Mortgage. **6.** In taking out the balances of your books you find that your book-keeper has made the following errors :—£25 paid for office furniture has been debited to " Trade Expenses A/c." ; Invoice for £23 for goods purchased has not been passed through books, although the goods are included in the stocktaking. How would you rectify these errors ?

**Part II. 7.** On the 1st Dec., 1909, the balances in Joseph Penn's books stood as follows :—Cash in hand, £20 18s. 3d. ; Cash at Bank, £123 4s. 2d. ; Stock-in-trade, £517 8s. ; Fixtures & Fittings, £82 3s. There is **owing to him** by L. Max, £35 ; Williams & Son, £26 10s. 7d. ; Kay & Co., £5 9s. **He owes** to H. Simpson, £408 10s. ; H. Taylor, £302 3s. Enter in the proper books, post to Ledger, and take out Trial Balance.

| | | | | |
|---|---|---|---|---|
| 1. | Borrowed from W. Sykes on loan ..... | £100 | – | – |
| 2. | Bought goods from H. Simpson for cash ..... | 23 | 12 | 8 |
| | And for credit ..... | 55 | 6 | 2 |
| 4. | Paid into Bank ..... | 90 | – | – |
| 5. | Recd. B/E. at 6 mos. in payment of L. Max's a/c. | 35 | – | – |
| 6. | Sold to Williams & Son, Goods ..... | 87 | 10 | – |
| | Sold Goods for Cash ..... | 12 | – | – |
| 8. | Paid H. Simpson on a/c. by cheque, £200 ; Dis. | 10 | – | – |
| 9. | Received from Williams & Son, cheque on a/c., which was paid into bank same day, £50 ; dis. | 2 | 10 | – |
| 10. | Received Credit Note from H. Taylor for goods returned ..... | 38 | 2 | 8 |
| 11. | Sold Goods to H. Taylor ..... | 100 | 1 | 6 |
| 12. | Drew Cheque for Petty Cash ..... | 10 | – | – |
| 13. | Bought stamps out of Petty Cash ..... | 3 | 10 | – |
| 15. | Bought of William Smith, Goods ..... | 93 | 1 | 6 |
| 18. | Repaid W. Sykes by cheq., being £50 part repayment of loan, and £1 int. to 31st Dec... | 51 | – | – |
| 20. | Recd. from Kay & Co. in settlement of their a/c. | 5 | 2 | – |
| 22. | Recd. notice from Official Receiver that L. Max has been made bankrupt and has no assets. | | | |
| 23. | Paid Salaries out of Cash ..... | 8 | – | – |
| 28. | Paid Carriage out of Petty Cash ..... | – | 18 | 6 |
| 31. | Railway a/cs. due but not paid ..... | 5 | 8 | – |
| | Joseph Penn withdraws for private purposes | 15 | – | – |
| | Credit Capital with Interest ..... | 2 | – | – |
| | Depreciate Fixtures & Fittings ..... | 2 | 3 | – |

**Part III. 8.** Close the a/cs., bring down balances, make out P. & L. A/c. and B/S. *Stock on 31st Dec.*, 1909, £480 2s. 10d.

**Answer.**—*Gross Profit*, £28 8 8 ; *Net Loss*, £22 7 10 ; *Bal. of Cap.*, £64 12 2 ; *Total of B/S.*, £630 16 8.

**LANCASHIRE & CHESHIRE UNION.** (*Junior*, 1911.)

**Part I. 1.** What do you understand by :—(*a*) Lien, (*b*) Insolvent, (*c*) E. and O.E. ? **2.** Explain the meaning and effect of the words "not negotiable" when written across a cheque.

**3.** On 1st Jan., 1911, A. Marston, Manchester, sells the following goods to M. Archer, Leeds :—2 cwts. best sugar at £12 per ton, subject to trade dis. of 10% ; 1½ cwts. butter at £5 per cwt., subject to trade dis. of 20% ; 2 gross eggs at 9d. per doz., subject to trade discount of 33⅓% ; 5 cwts. bacon at £6 10s. per cwt., subject to trade dis. of 25%. Terms 2½% monthly. Make Invoice.

**4.** On 1st February, 1911, Messrs. Rhodes & Co., Stockport, drew a B/E. upon John Ellis, of Liverpool, for £325 at 4 months' date, which was duly accepted payable at the Manchester & County Bank, Liverpool ; after acceptance the bill was endorsed to Albert Blackston, Preston. Draw the B/E. showing acceptance, endorsement, and stamp duty.

**5.** Referring to the previous question, supposing the bill at due date was returned dishonoured, and the endorsee arranges with the acceptor to accept a new B/E. dated the due date of the one dishonoured, at four months plus interest at 5% per ann. for the period and 2s. 6d. expenses. Make the Journal entries in the books of the acceptor. **6.** What is a Trial Balance, and what are its uses ?

**Part II. 7.** On the 1st Jan., 1911, L. Huntley commenced business with **Assets**:—Cash in hand, £32 18s. 9d. ; Cash at Bank, £133 16s. 1d. ; Goods on hand, £412 8s. ; M. Saunders, £38 10s. ; F. Hartley, £53 18s. ; S. Fearnley, £86 12s. 8d. ; Horses & Carts, £53. **Liabilities** :—A. Knowles, £219 11s. 6d. ; and W. Close, £291 12s. Enter in the books, post to Ledger, and take out T.B.

| | | | | |
|---|---|---|---|---|
| 1. | Bought Goods for Cash ..... | £25 | 10 | – |
| 2. | Recd. from M. Saunders, Cheque for his a/c. and allowed him 5% discount ..... | | | |
| 4. | Sold Goods to S. Fearnley for Cash ..... | 12 | 19 | 3 |
| | Do. do. do. on Credit ..... | 53 | 1 | 8 |
| 5. | Accepted A. Knowles' B/E. at 4 months ..... | 219 | 11 | 6 |
| 6. | Recd. from S. Fearnley cheque, and pd. same into Bank, £82 ; allowed discount, £4 12s. 8d. .. | 86 | 12 | 8 |
| 8. | Sent Credit Note to F. Hartley for goods damaged | 9 | 7 | 6 |
| 9. | Sold Goods To M. Saunders ..... | 43 | 18 | – |
| 10. | Bought Goods from W. Close ..... | 18 | 3 | 5 |
| 11. | Sent Cheque to W. Close, £142 10s. ; Dis. allowed | 7 | 10 | – |
| 12. | Bought a new Horse, and pd. for same by cheque | 21 | – | – |
| 13. | Paid Wages by cash ..... | 10 | 5 | – |
| 15. | Received Cheque on a/c. from M. Saunders ... | 20 | – | – |
| 18. | Paid into Bank ..... | 35 | – | – |
| 20. | Returned Goods to W. Close, not up to sample.. | 58 | 10 | – |
| 22. | Paid Cash for Carriage ..... | 7 | 10 | 6 |
| 23. | M. Saunders failed and paid a composition of 6s. 8d. in the £ into our banking a/c. | | | |

| | | | | |
|---|---|---|---|---|
| 28. | L. Huntley pays his private a/cs. by cheque... | £15 | – | – |
| 31. | Depreciate Horses & Carts ..... | 2 | 8 | – |
| | Credit Capital with Interest ..... | 1 | 10 | – |
| | Gas and Water A/c. due ..... | 9 | 11 | 6 |

**Part III. 8.** Close the a/cs., bring down balances, make out P. & L. A/c. and B/S. *Stock on 31st Jan.*, 1911, £355 5s. 4d.

**Answer.**—*Gross Profit*, £58 5 4; *Net Profit*, £12 – 6; *Bal. of Cap.*, £298 10 6; *Total of B/S.* £628 18 11.

## LANCASHIRE & CHESHIRE UNION. (*Junior*, 1912.)

**Part I. 1.** Explain the meaning of the following :—(*a*) Days of grace. (*b*) Books of original entry. (*c*) Fixed assets. **2.** Explain what is meant by the "Imprest system" of keeping Petty Cash. Give a form of ruling suitable for a firm who pay postages and telegrams, travelling expenses, and sundry expenses out of Petty Cash. **3.** When closing a manufacturer's books on the 31st Dec., 1911, you are requested to provide for depreciation at 5% on Plant and Machinery standing in the books at £2500, at 7½% on Loose Tools & Utensils standing at £750, and at 5% on Office Furniture standing at £100. Show the combined Journal entry necessary to do this.

**4.** On 31st Dec., 1911, a merchant's Cash Book showed his balance in Bank to be £242 16s. 8d. His pass-book, however, on that date showed a balance to his credit of £310 9s. 6d. On checking the details with his cash book he found that the following cheques issued by him before the 31st Dec., had not been presented :—J. Pickles, £10 8s. 6d.; T. Wallis, £52 14s. 2d.; and W. Martin, £30 2s. 4d. He also discovered that an amount of £25 12s. 2d., shown by his cash book to have been paid into the bank on the 31st Dec., had not been credited to him by the bank until 1st Jan., 1912. Draw up a Reconciliation Statement.

**5.** Rule a form of Sales Day Book suitable for a business with four separate departments and enter therein two specimen entries. **6.** State what you consider is the order in which the Assets of a firm should appear in the B/S. Give reasons for your answer.

**Part II. 7.** The position of B. Salt on 1st Feb., 1912, was as follows :—**Assets :**—Cash in hand, £24 3s. 6d.; Cash at Bank, £312 8s. 9d.; Bill Receivable, due 10th Feb., £86 10s.; G. Thorp, £21 6s. 8d.; W. Stott, £59 5s. 6d.; Office Furniture, £62 15s.; Goods on hand, £522 7s. **Liabilities :**—J. Firth, £218 9s. 6d.; J. Holroyd, £371 3s. 4d. Enter in the proper books, post to Ledger, and take out Trial Balance.

| | | | | |
|---|---|---|---|---|
| 1. | Recd. B/E. at 2 mos. from W. Stott in settlement of his a/c. ..... | £59 | 5 | 6 |
| 2. | Sold Goods to E. Evans for Cash..... | 81 | 6 | – |
| | Paid into Bank ..... | 100 | – | – |
| 3. | Bought for Cheque, roll top desk ..... | 5 | 5 | – |
| 6. | Drew and cashed cheque for Office Cash ..... | 20 | – | – |

| | | | | |
|---|---|---|---|---|
| 6. | Paid Wages and Salaries in Cash ..... | £18 | 10 | – |
| 9. | Paid Bill due 10th inst. into Bank ..... | 86 | 10 | – |
| 12. | Bought Goods from J. Holroyd ..... | 110 | 9 | 8 |
| | Paid J. Firth, by cheque, which with discount settled his a/c. ..... | 207 | 11 | – |
| 14. | Sold Goods to G. Thorp..... | 290 | 3 | 4 |
| 15. | Gave J. Holroyd a B/E. for ..... | 371 | 3 | 4 |
| 18. | Recd. from G. Thorp a cheq. which was pd. into bank same day, £295 18s. 6d. ; allowed dis... | 15 | 11 | 6 |
| 21. | Paid in Cash, Carriage outwards ..... | 3 | 8 | 6 |
| 25. | Bought Goods for cheque ..... | 70 | 8 | 6 |
| | Sold Goods to W. Stott ..... | 62 | 12 | 8 |
| 28. | W. Stott returned part of Goods invoiced on 25th | 20 | 6 | 8 |
| | B. Salt draws a cheque for private purposes .. | 18 | 10 | – |
| 29. | Charge depreciation of Office Furniture ..... | 1 | 5 | – |
| | Rates and Taxes due but not paid ..... | 6 | 8 | 6 |

**Part III. 8.** Close the a/cs., bring down balances, make out P. & L. A/c. and B/S. *Stock Valued at* £339 19s. 10d.

**Answer.**—*Gross Profit*, £50 10 - ; *Net Profit*, £16 5 - ; *Bal. of Cap.*, £496 18 7 ; *Total of B/S.*, £985 - 1.

The **LONDON CHAMBER of COMMERCE** examinations are usually held about the middle of May each year, the results being announced about the end of July. The fee for the "Junior" Examination is 2/6. A copy of the Syllabus may be had, free of charge, from the *Secretary, Oxford Court, Cannon Street, London, E.C.*

### Exercise 44. (*L.C.C., Junior*, 1908.)

(Ex. No. 44 was formerly an exam. paper of the R.S.A.)

**1.** What is the principal book of account ? **2.** A. Help is in the habit of entering all his transactions into daily record books, keeping two of such books, one for each alternate day. On Tuesday he would hand to his book-keeper the book containing the record of transactions which took place on Monday, and so on. The book-keeper is required to enter these transactions into their proper subsidiary books and post the same to the Ledger. Into which subsidiary book, if any, would each of the following items be entered. Give your reasons shortly and concisely. (Instead of rewriting the particulars of each item the candidate may refer the answers to the letter preceding each item.)

(*a*) Started business with £1000 cash with which I opened an a/c. at Parr's Bank.

(*b*) Purchased from Geo. Head, office furniture and stationery for which I gave him a cheque for £50.

(*c*) Drew from the Bank for petty cash, £5.

(*d*) Purchased from A. Kaye goods value £50, terms 5% at one month.

(*e*) Ordered Goods from R. Gee to the value of £100, terms cash on delivery.

(*f*) R. Gee delivered goods (*e*) which were in order, gave him cheque.
(*g*) Purchased from E. Smith goods value £200, terms 5% one month, 2½% three months.
(*h*) Sold B. Jones goods value £90.
(*k*) Accepted E. Smith's draft £150 at 4 months from 4th Sept.
(*l*) Sold to A. Green goods value £100.
(*m*) Returned to E. Smith goods invoiced to me at £20, which were not up to sample.
(*n*) Drew on B. Jones for £90 at 3 months.
(*o*) A. Green returned to me goods which were damaged £20.
(*p*) Paid Railway Company's charges £5 by cheque.
(*q*) Received B. Jones' acceptance £90 (n).
(*r*) Received cheque from A. Green £76, allowed him Dis. £4.
(*s*) Drew cheque for personal use £5.
(*t*) Handed to Bankers for collection, B. Jones' acceptance due £90.
(*v*) B. Jones' acceptance £90 returned to me dishonoured. Noting charges 1/6 debited my a/c. by bankers.
(*w*) Paid travelling expenses out of cash £2.

3, On 30th March, 1908, the balances in my books were :—

| **Dr. Balances—** | |
|---|---|
| A. Chair | £25 |
| B. Glass | 60 |
| C. Paper | 90 |
| Stock, 1st Jan., 1908 | 1000 |
| Purchases | 3500 |
| Rent, Rates and Taxes | 75 |
| Wages in factory | 500 |
| Salaries | 60 |
| Horse keep and hire | 50 |
| Trade Expenses | 30 |
| Furniture & Fixtures, 1st Jan. | 400 |
| Plant & Machinery, 1st Jan. | 600 |
| **Dr. Balances** continued— | |
| Bills Receivable | £250 |
| Repairs and Renewals of Plant and Machinery | 50 |
| Bank Balance | 500 |
| Petty Cash in hand | 10 |
| **Cr. Balances—** | |
| C. Box | 200 |
| R. Green | 300 |
| Sales | 4500 |
| Bills Payable | 200 |
| A. Smith, Loan A/c. | 500 |
| Capital A/c. | 1500 |

On 31st March, 1908, the following cash transactions took place :—Received from C. Paper, Cheque £85 10s., allowed him Dis. £4 10s.

B/R. £50, E. Kaye, under discount at my Bankers returned to me dishonoured. Noting charges 1/6 debited by Bankers.

Paid R. Green's a/c. £300, less 5% discount.

Discounted with Bankers, Bills Receivable £250. Bankers charged for Discount £4 10s.

Paid by Cheque, Salaries for month £30.

Drew Cheque for private a/c. £50.

Paid A. Smith Interest on loan to date £5.

Enter the Cash Book and post. *Stock* 31st March, 1908, £900. Charge for Depreciation 5% per ann. on Furniture and Fixtures and 10% per ann. on Plant and Machinery. Prepare T.B., Trading, P. & L. A/cs. and B/S.

**Answer.**—*Gross Profit*, £400 ; *Net Profit*, £86 ; *Bal. of Cap.*, £1536 ; *Total of B/S.*, £2436.

**Exercise 45.** (*L.C.C., Junior*, 1909.)

(Ex. No. 45 was formerly an exam. paper of the R.S.A.)

**1.** State the objects of the following books and the methods of using the same, upon the basis of the double entry system :—Cash Book, Purchases Book, Returns Inwards Book, B/R. Book.

**2.** Some of the balances in John Jones' ledger on the 1st October, 1907, were :—Owing to : A. Fell £300, R. Lion £165 : Owing by ; B. Smith £171, A. Seal £300, B/P. £200 ; Stock on hand £855 ; Rent due £75 ; Petty Cash in hand £18 ; Cash at Bank £550 5 -. Open ledger, enter in proper books, post and carry down balances.

| | | | | | |
|---|---|---|---|---|---|
| Oct. 1. | Bought of A. Fell, Cloth | £180 | – | – |
| | Bought of R. Lion, Cloth | 335 | – | – |
| ,, 4. | Sold to A. Seal, Cloth | 220 | – | – |
| ,, 6. | Sold to B. Smith, Cloth | 112 | 10 | – |
| ,, 8. | Paid A. Fell, by cheque | 300 | – | – |
| ,, 10. | Accepted R. Lion's draft, £500, at 3 months | | | |
| ,, 13. | Recd. from A. Seal, cheque £292 10s. ; Dis. | 7 | 10 | – |
| | Paid cheque for Rent | 75 | – | – |
| ,, 15. | Sold A. Seal, Cloth | 118 | 5 | – |
| ,, 18. | Sold B. Smith, Cloth | 216 | 10 | – |
| ,, 20. | Drew on B. Smith for £500 at 3 months | | | |
| ,, 23. | Discounted B. Smith's acceptance at my Bankers, who charged Discount £4 | | | |
| ,, 24. | Paid Bills Payable | 200 | – | – |
| ,, 26. | Bought of R. Lion, Cloth | 250 | – | – |
| ,, 28. | Sold to B. Smith, Cloth | 225 | 10 | – |
| ,, 31. | Drew Cheques :—Salaries £30, Petty Cash Expenditure for month £16, Drawings £40. B. Smith returned Cloth damaged | 25 | – | – |

**3.** On 30th June, 1908, after the first twelve months' trading, W. Boyce obtained from his books, etc., the following information :—He had stock in hand on 30th June, 1908, £2000. His purchases and wages had amounted to £15000, and his sales to £16500. He had paid or brought into a/c. Rent, Rates, & Taxes £753 ; Salaries £400 ; Travelling Expenses £300 ; Travellers' Commission £360 ; Trade Expenses £482 ; Carriage Outwards £150. Discounts allowed by him £250 ; Discounts received by him £225. After allowing £15 for depreciation, the Furniture, etc., was valued at £285. Private drawings amounted to £700, Book Debts due to him £4000, Creditors (including Bills Payable) £2500, Cash at Bank and in hand £715. Prepare the T.B. (bringing into a/c. W. Boyce's cap. at commencement, which is the sum required to complete the T.B.) Also prepare Trading and P. & L. A/cs. and B/S.

**Answer.**—*Gross Profit*, £3500 ; *Net Profit*, £1015 ; *Bal. of Cap.*, £4500 ; *Total of B/S.*, £7000.

**4.** What is a contingent liability ? Give an example.

**Exercise 46.** (*L.C.C., Junior*, 1910.)

(Ex. No. 46 was formerly an exam. paper of the R.S.A.)

**1.** On 1st July, 1909, George Field, who commenced business as a merchant, borrowed, free of interest, from B. Tree £750, which he paid into the London Banking Co., from whom he received a cheque book containing 60 cheques. Pass the entries through the books, take out a T.B., prepare Trading, P. & L. A/cs., and B/S.

| | | | |
|---|---|---|---|
| July 2. | Drew from Bank for Petty Cash ..... | £10 | – |
| | Purchased from A. Smith, goods..... | 750 | – |
| ,, 4. | Sold to B. Tree, goods ..... | 375 | – |
| ,, 8. | Purchased from A. Smith, goods..... | 1500 | – |
| | A. Smith drew on G. Field at 3 mos. for .... | 1125 | – |
| ,, 10. | Sold to B. Tree, goods ..... | 900 | – |
| ,, 11. | Drew from Bank for Petty Cash ..... | 22 | 10 |
| ,, 13. | B. Tree paid by cheque ..... | 525 | – |
| ,, 14. | Consigned goods to G. Tom, Paris, on own a/c. | 750 | – |
| ,, 18. | Purchased from A. Smith, goods..... | 1050 | – |
| | Drew from Bank for Petty Cash ..... | 22 | 10 |
| ,, 21. | Sold goods for Cash, paid same into Bank ... | 20 | – |
| ,, 23. | Sold Goods to B. Tree for 3 mos. bill ..... | 450 | – |
| ,, 24. | Repaid by cheque, the debit of an a/c. in Geo. Field's name with the City Banking Co. ... | 81 | 15 |
| | Returned to A. Smith soiled goods invoiced at | 75 | – |
| ,, 25. | Drew from Bank for Petty Cash ..... | 22 | 10 |
| | Paid A. Smith by cheque ..... | 750 | – |
| ,, 27. | Discounted with the London Banking Co., B/R. £450, and was charged for ..... | 5 | 10 |
| ,, 31. | Received from G. Tom, A/S. of consignment, together with draft on Abel & Co. for net proceeds, which was paid into Bank ..... | 825 | – |
| | Paid A. Smith by cheque ..... | 750 | – |
| | Received from B. Tree, invoice for agreed price of Office Furniture & Fixtures, which sum was placed to the credit of B. Tree's a/c... | 75 | – |
| | Sold B. Tree, goods ..... | 525 | – |

Summary of Petty Cash payments for month :—Salaries, £20 ; Trade Exs., £21 10s. ; Fire Insurance paid on 8th July, £6 ; Personal Drawings, £25. Outstanding liabilities not yet brought into a/c. were :—Printing and Stationery, £22 10s. ; Office repairs, £7 10s. Accrued liabilities were :—Gas, £2 ; Rent, 1 month at £300 per ann. **Stock,** 31st July, £400.

**Answer.**—*Gross Profit*, £195 ; *Net Profit*, £159 15s. ; *Bal. of Cap.*, £53 ; *Total of B/S.*, £1835.

**2.** State the errors, if any, which appear in the following T.B. made out by a merchant's clerk for the year ended 31st Dec., 1909.

| | | |
|---|---|---|
| Capital A/c. | | £2000 |
| Sundry Debtors | £1000 | |
| Sundry Creditors | | 800 |
| Goods A/c. | | 1250 |
| Trade Expenses, Rent, &c. | 500 | |
| Salaries & Wages | 300 | |
| Goodwill | | 500 |
| Bank Overdraft | 500 | |
| Furniture & Fixtures | 200 | |
| Drawings A/c. | 450 | |
| Leasehold Premises, value 1st Jan., 1909 | 1600 | |

**3.** What are the principal books of account in a merchant's office ? State very briefly their uses. **4.** What do you understand by "reconciliation of bank balance ?" What is the procedure to effect it ?

**Exercise 47.** (*L.C.C., Junior,* 1911.)

(Ex. No. 47 was formerly an exam. paper of the R.S.A.)

**1.** A. Land's books on 1st Jan., 1910, contained the following balances :—Debtors : B. Grass, £180 3s. ; C. Tree, £160 ; D. Fence, £309 17s. Creditors : E. Green, £200 10s. ; F. Leaf, £105 15s. B/P. : due 15th Jan., £131 5s. ; due 15th Feb., £131 5s. B/R. : due 4th Jan., £180. Stock, £1262. Petty Cash, £10. Cash at Bank, £321 15s. Furniture and Fittings, £45. Find Land's Capital on 1st Jan. **2.** Open the Ledger of A. Land with the above and enter the following transactions in the proper subsidiary books ; post to the Ledger, make T.B. and prepare Trading, P. & L. A/cs., and B/S. **Stock, 31st Jan.,** £1500.

3. Sold to D. Fence, 15 cwts. Coffee @ 100/- per cwt., 100 chests Tea, 2000 lbs. @ 1/10½ per lb.
4. Handed to Bank for collection, B/R. £180, due 5th Jan.
5. B/R. duly collected and credited to a/c.
8. Drew cheque for Petty Cash, £30.
11. Pd. E. Green and F. Leaf respectively cheques in settlement of their a/cs. after deducting from each dis. at the rate of 5%.
12. Received of B. Grass, cheque £171 2s. 6d. to settle his a/c.
14. Recd. of C. Tree, cheque for the amount of his a/c. less 2½%.
15. Drew cheque for Petty Cash, £30.
    B/P. due this day, met at Bank, £131 5s.
17. Bought of E. Green, 120 cwts. of Coffee @ 65/-.
    Handed to Green acceptance at 3 mos. net for amount.
19. Sold to C. Tree 80 cwts. Coffee @ 92/6, 320 chests Tea, 6400 lbs. @ 1/10½.
22. Drew cheque for Petty Cash, £30.
24. D. Fence paid by cheque £300 on a/c.
25. Bought of F. Leaf, 1000 chests Tea, 20200 lbs. at 1/-.

26. Paid F. Leaf by cheque, £200, and handed him two acceptances for the balance of his a/c. in equal moieties at 2 mos. and 3 mos. respectively.
27. Drew on D. Fence at 2 mos. for the balance of his a/c.
29. Drew cheque for Petty Cash, £30.
Received of Fence his acceptance of draft sent on 27th.
31. Sold to B. Grass, 100 cwts. Coffee @ 91/6, 200 chests Tea, 2100 lbs. at 1/8.
C. Tree returned (not up to sample) 100 chests of Tea, part of his purchase on 19th Jan. Sent him C/N.
Payments from Petty Cash during the month were :—Personal drawings, £60 ; Salaries, £40 ; Carriage and postage, £10 ; Petty expenses, £12.

**Answer.**—*Gross Profit*, £515 10 ; *Net Profit*, £455 15 9 , *Bal. of Cap.*, £2295 15 9 ; *Total of B/S.*, £3627 – 9.

3. Define the following :—Bill of Lading. Business Capital.

4. Rule a form of Petty Cash Book suitable for a small manufacturing business.

### Exercise 48. (*L.C.C., Junior*, 1912.)

(Ex. No. 48 was formerly an exam. paper of the R.S.A.)

1. Enter the following transactions, for **February**, 1912, in the proper books, post to the Ledger, and extract a T.B. A. Samuel, Coal Merchant, being about to retire from business, arranged to sell to J. Parker the Assets as they stood on 1st Feb., upon the following terms :—(*a*) Goodwill £500, to be discharged by four acceptances of £125 each, dated 1st Feb., 1912, at 2, 4, 6, and 8 months respectively. (*b*) Stock on hand, Rolling Stock, Horses, etc., to be paid for by cheque on receipt of the valuers' certificates. (*c*) Fittings and Fixtures £100, to be paid for by cheque on 1st Feb., 1912. (*d*) The book debts to be collected by J. Parker on behalf of A. Samuel. All the book debts collected in each month to be paid to A. Samuel on the last day of the month in which they were collected, less 5% on the total amount collected during the month.

1. J. Parker paid into the London Banking Co., £3000.
1. Paid A. Samuel cheque for Furniture and Fittings, £100.
2. Sold E. Mallett & Co., 50 tons Derby Coal at 25/- per ton.
3. Drew cheque, £50 for Petty Cash.
5. Received certificate that the value of Stock of Coal on hand at 1st Feb. was £853 6s. Sent A. Samuel cheque in accordance with agreement.
6. Sold L. Bide 160 tons Kitchen Coal at 22/6 per ton, and 80 tons Welsh Steam Coal at 28/- per ton.
6. Recd. from E. Mallett & Co., cheque for debt owing on 31st Jan. last, £55.
7. Recd. certificate that the value of the Rolling Stock, Horses, etc., on 1st Feb. was £950. Sent A. Samuel cheque in accordance with agreement.

8. Shipped to A. Wolf, of Kiel, 420 tons Brightside Coal at 21/- per ton, on consignment.

   Paid by cheque Freight and Insurance £42 on consignment to A. Wolf.

9. Bought of Derby Mining Co., 500 tons of Coal at 12/6 per ton.

10. Paid by cheque Midland Railway Co.'s a/c. £125 for carriage of coal purchased from Derby Mining Co.

    Recd. from B. Smart, cheq. for a/c. due to A. Samuel, £85.

12. Accepted Derby Mining Co.'s draft at 2 mos., dated 9th Feb., for coal purchased on that day.

14. Sold to E. Mallett & Co., 100 tons Kitchen Coal at 23/- per ton and 50 tons Derby Coal at 26/- per ton

17. Drew on E. Mallett & Co. at 2 mos. from this date for the amount of their a/c.

21. Bought of the Welsh Colliery Co., 1000 tons coal at 15/- per ton, terms 2½% discount in one week.

    E. Mallett & Co. returned draft forwarded to them on 17th Feb. unsigned and sent in its place their draft for a similar amount accepted by Smith & Sons, which J. Parker placed under discount at the London Banking Co. who charged £3 for discount.

22. Recd. of A. Wolf, of Kiel, A/S. of Consignment with sight draft on Montague & Co., for net proceeds, £550.

    Handed draft to London Banking Co. for collection.

26. Paid by cheque Welsh Colliery Co., the amount of their a/c.

28. Sent cheque to A. Samuel in settlement of debts collected on his behalf, less 5%.

    Paid by cheque G. W. Ry. Co.'s charges £300, for carriage of Welsh Coal.

**2.** What comment, if any, have you to make on the T.B. below?

| | | | |
|---|---|---|---|
| Goodwill ..... | £300 | Capital Account ..... | £800 |
| Furniture and Fittings .. | 100 | G. Johnson ..... | 700 |
| Horses, Vans, Etc. ..... | 600 | Royalty Account..... | 50 |
| A. Read ..... | 200 | Bills Payable ..... | 750 |
| Goods Account ..... | 400 | | |
| Cash ..... | 50 | | |
| Bank ..... | 450 | | |
| Bills Receivable ..... | 200 | | |
| | £2300 | | £2300 |

**3.** Define the following terms :—Rebate, Tare, Premium, Narration. **4.** Sketch the B/E. mentioned in Question 1, 21st Feb., as having been received from E. Mallett & Co., showing the signatures which appeared upon it when it was handed to the London Banking Co.

**Exercise 49.** (*Society of Arts, Inter.*, 1893.)

**A.** How are the following classes of Accounts closed ? :— Personal A/cs., Discount A/cs., Goods A/cs., P. & L. A/cs.

**B.** April 1st, Black borrows £150 from White and accepts his draft at 3 months for the amount. White discounts this acceptance a month later with the Notable Discount Company. Give the accounts as standing in Black's and White's Ledgers respectively.

**C.** On 1st January, 1893, John Andrew, hotel proprietor, commenced business with the following **Dr. Balances:**—Freehold Premises, £5000; Bank balance, £1418 17 6; Cash in house, £155 18 2; Furniture & Fittings, £450; Wines, spirits, ale, and minerals, £243 15 10; Tobacco and Cigars, £35 - 3; Poultry, meat, &c., £5 10 2; Groceries, £27 18 6; Sundry stores on hand, £142 8 7; Sundry outstanding visitors' a/cs. £50 7 10.

**He owed:**—John Smith, £172 8 8; Amos Jones, £9 18 4; Wm. Taylor, £23 5 6; Jas. Watson, £41 18 6; Sundry persons, £92 17 4.

| | | | | |
|---|---|---|---|---|
| Jan. 1. | Received cash from visitors | £40 | 5 | 6 |
| ,, 1. | Paid into Bank | 100 | – | – |
| ,, 2. | Paid W. Taylor, cheque | 23 | 5 | 6 |
| ,, 2. | Paid James Watson, cheque | 38 | – | – |
| ,, 4. | Bought of Walter Berry, carpets | 62 | 5 | – |
| ,, 4. | Paid J. Smith, cheque £150, Dis. £3 11 8 | 153 | 11 | 8 |
| ,, 5. | Recd. cheq. from J. Sims for amount written off last year as a bad debt (74) | 8 | 15 | – |
| ,, 6. | Bought of Fred Wilkinson, sundry stores | 28 | 13 | 11 |
| | Paid cash £28 5 –, dis., 8s. 11d. | 28 | 13 | 11 |
| ,, 7. | Paid A. Jones by cheque | 9 | 18 | 4 |
| ,, 8. | Bar and Billiard room receipts for week | 36 | 14 | 5 |
| ,, 9. | Paid into Bank | 60 | – | – |
| ,, 11. | Paid poor rates by cheque | 13 | 5 | – |
| ,, 11. | Paid James Watson by cheque | 3 | 18 | 6 |
| ,, 13. | Received statement from Wilfred Simpson for carriage hire on a/c. of visitors | 4 | 3 | 9 |
| ,, 13. | Paid W. Berry by cheque | 62 | 5 | – |
| ,, 14. | Received cheque from visitor, gave him cash, and paid cheque to bankers | 25 | – | – |
| ,, 14. | Bought of A. Jones, cigars, as per invoice, subject to 2½ per cent. discount | 50 | – | – |
| ,, 15. | Bought Furniture of Wm. Dunn | 132 | 17 | 6 |
| ,, 15. | Received C.N. from him for old furniture in exchange | 38 | 5 | 8 |
| ,, 15. | Paid cash for sundries | 6 | 18 | 11 |
| ,, 16. | Paid cash on a/c. of washing for visitors | 3 | 9 | 4 |
| ,, 16. | Bought of J. Smith, wine in bond | 63 | 17 | 6 |
| | Pd. H.M. Customs duty on same, cash (180) | 15 | 10 | – |
| ,, 18. | Paid A. Jones by cheque (see Jan. 14) | 48 | 15 | – |
| ,, 18. | Sundry bar and billiard room receipts | 42 | 10 | 7 |
| ,, 19. | Paid gas a/c. cash | 9 | 4 | 8 |
| ,, 19. | Paid W. Dunn by cheque | 94 | 11 | 10 |
| ,, 20. | Bot. of W. Taylor, Poultry, &c., per his book | 29 | 15 | 4 |

| | | | | |
|---|---|---|---|---|
| Jan.22. | Bought of J. Watson, groceries ..... | £23 | 2 | 8 |
| ,, 22. | Paid for Sundries in cash ..... | 42 | 17 | 7 |
| ,, 23. | Received Statement from W. Simpson for Carriage hire on a/c. of visitors ..... | 5 | 2 | 3 |
| | Paid him cheque ..... | 4 | 3 | 9 |
| ,, 25. | Paid J. Watson cheque £22, dis. £1 2.8 ... | 23 | 2 | 8 |
| ,, 25. | Paid Taylor cheque £28 12 2, dis. £1 3 2 .. | 29 | 15 | 4 |
| ,, 26. | Sundry bar and billiard room receipts .... | 45 | 11 | 3 |
| ,, 28. | Bought for cash, sundries ..... | 15 | 18 | 5 |
| ,, 29. | Bought of J. Smith, ale as per invoice .... | 23 | 10 | – |
| | Paid him cheque £22 5 –, dis. £1 5 – ..... | 23 | 10 | – |
| ,, 30. | Sundry bar and billiard room receipts .... | 36 | 9 | 8 |
| | Cash received during January from visitors' bills and paid into bank ..... | 338 | 11 | 7 |
| | Credit interest on capital ..... | 30 | – | – |
| | Wages and Salaries due this day..... | 24 | 3 | 4 |
| | Depreciation on Furniture (82) ..... | 4 | 10 | – |
| | Sundry outstanding visitors' accounts .... | 47 | 2 | 11 |
| | *Stocks on hand :—Wines, spirits, ales, minerals,* £109 13 2 ; *Tobacco and Cigars,* £53 8 8 ; *Poultry, meat, &c.,* £3 7 6 ; *Groceries,* £18 15 2 ; *Sundry Stores,* £49 18 11. | | | |

**Answer.**—*Trial Balance* £7966 - 1 ; *Net Loss* £59 3 1 ; *Bal. of Cap. A/c.*, £7160 5 5. *Total of B/S.*, £7365 2 10.

**Exercise 50.** (*Society of Arts, Inter.*, 1894.)

**A.** "Forty lakhs of remittances on India were offered for tender, but the only response was an application for Rs 26000 in Bills at 1/3 with the result that the council made no allotment." (*Times*, City Article, October 5th, 1893.) Comment on and explain this paragraph. **B.** Define "Bank Rate." How is it settled ? What objects are sought by its advance or reduction ?

**C.** The following shows the state of affairs of Messrs. John and Joseph Tough, ironwork contractors, at Jan. 1st, 1894. Credit each partner with 5 per cent. interest on his capital, and carry the amount of the profit or loss in equal shares to their respective capital accounts. All payments over £5 by cheque ; under that amount in coin ; all receipts paid into bank same day. *Liabilities :*—Capital—John Tough, £13057 14 1 ; Jos. Tough, £15960 1 6. Creditors—Peter Jones, £923 ; John Smith, £1027 16 - ; Hy. Brown, £450 ; B/P. No. 391, £1000 ; No. 392, £850 10 -. Instalments recd. on current contracts :—No. 124, Wessex Bridge, £960 ; No. 125, Mercia Tanks, £1845 ; No 126, Cantia derricks, £2460. Mortgage on premises, £15000. (See par. 191, also 193 and 194.)

*Assets :*—Freehold works, £26000 ; Plant, machinery & rolling stock, £5280 ; Bankers, £2456 1 9 ; Office Cash, £84 7 4 ; B/R. No. 248, £365. Debtors :—Thos. Tiger, £1254 9 3 ; Edward Eagle, £1215 10. Current contracts—value of work done :—No. 124, £1530 2 9 ; No. 125, £3160 10 4 ; No. 126, £5130 12 8 ; No. 127, Devonia viaduct, £815 10 ; Materials on hand, £6241 17 6.

| | | | | |
|---|---|---|---|---|
| Jan. 1. | Bot. of J. Smith, 100 tons plates @ £7 .. | £700 | – | – |
| ,, 2. | Paid him cheque ..... | 1200 | – | – |
| | Do. bill at 2 mos. (172) ..... | 500 | – | – |
| ,, 3. | Paid rates and taxes ..... | 31 | 7 | 6 |
| ,, 4. | Received payment, Bill No. 248 (146) ... | 365 | – | – |
| ,, 6. | Received instalment, contract No. 125 ... | 1000 | – | – |
| ,, 6. | Paid sundry petty expenses ..... | 4 | 16 | – |
| ,, 6. | Paid fire insurance ..... | 32 | 1 | 6 |
| ,, 8. | Took contract for Anglia girders, No. 128.. | 1250 | – | – |
| ,, 9. | Paid bill No. 392 (146) ..... | 850 | 10 | – |
| ,, 9. | Bot. of P. Jones for cash, 45 cwt. rivets @ 32/- | 72 | – | – |
| | Materials supplied to date :—Con. No. 124 | 248 | 15 | – |
| | No. 125 £132 7 6, No. 127, £315 9 8, No. 128 | 264 | 7 | 6 |
| ,, 11. | Received of Thos. Tiger, cheque ..... | 400 | – | – |
| ,, 12. | Contract No. 126 completed and passed and balance of contract received ..... | 3500 | – | – |
| | Partners' drawings £500 each (78) ..... | 1000 | – | – |
| ,, 13. | Bought of Henry Brown for 2 months bill, 50 tons angles @ £7 10 (172) ..... | 375 | – | – |
| ,, 13. | Drew chq. for wages pd. to-day :—Con. No. 124, £222 6 -, Con. No. 125, £107 5 -, Con. No. 126, £5 15 6, Con. No. 127, £128 18 6, Con. No. 128 ..... | 52 | 3 | 4 |
| ,, 16. | Paid Henry Brown, £430, Dis. £20 ..... | 450 | – | – |
| ,, 17. | Received of Edward Eagle ..... | 1200 | – | – |
| | Allowance on settlement..... | 15 | 10 | – |
| ,, 18. | Received instalment on Contract No. 124 | 500 | – | – |
| ,, 21. | Bot. of Stephen Spicer, timber as per inv. | 142 | 3 | 6 |
| ,, 22. | Received instalment, Contract No. 128 .. | 350 | – | – |
| ,, 23. | Received sundry cash sales ..... | 18 | 1 | 6 |
| ,, 24. | Partners' drawings ; John Tough (78) ... | 150 | – | – |
| ,, 24. | Paid Peter Jones ..... | 500 | – | – |
| ,, 25. | Paid bill, No. 391 due this day (146) .... | 1000 | – | – |
| ,, 25. | Recd. of Thos. Tiger, bill at 3 months (171) | 841 | 3 | 6 |
| ,, 26. | Paid to S. Spicer, £140. Dis. £2 3 6 .... | 142 | 3 | 6 |
| ,, 27 | Drew cheq. for wages pd. to-day, Con. No. 124 £125 19 4, No. 125 £22 11, No. 127 £173 7 11, No. 128 ..... | 230 | 4 | 4 |
| ,, 27. | Recd. net proceeds sale by auction of loose plant, Con. No. 126, value in books, £350 | 186 | 15 | – |
| ,, 27. | Paid office salaries for month ..... | 27 | 10 | – |
| ,, 27. | Received instalment Contract No. 127.... | 1000 | – | – |
| ,, 28. | Con. No. 125 completed and passed. Final bal. due £2100. Instalment received .. | 1650 | – | – |
| ,, 29. | Paid half-year's interest on mortgage (191) | 300 | – | – |
| ,, 31. | Materials supplied to date :—Con. No. 124 | 831 | 15 | – |
| | Con. No. 127, £463 10 ; Con. No. 128 .. | 159 | 17 | 6 |
| ,, 31. | Paid Water Rate ..... | 10 | 4 | 6 |
| ,, 31. | Paid inspector's fees, Con. No. 125 ..... | 31 | 10 | – |
| ,, 31. | Paid off Mortgage (191) ..... | 2000 | – | – |
| | Depreciation of buildings (82) ..... | 54 | 10 | – |
| | ,, of plant and machinery .... | 24 | 6 | – |
| | Int. on Cap., John £54 4 -, Joseph £65 15 3. | | | |
| | *Stock of Materials*, £4822 16 8. | | | |

**Answer.**—*Trial Balance* £45516 18 1; *Profit on Con.* 125 £1490 16 2, *on Con.* 126 £660 6 10; *Loss on Materials* £274 - 8; *Net Profit* £1279 1 1; *Bal. of Cap. A/cs.*: *John* £13101 8 8; *Joseph* £16165 7 3. *Total B/S.* £43592 11 11. *See page* 219.

**Exercise 51.** (*Society of Arts, Inter.*, 1896.)

**A.** Explain the following terms :—Not Negotiable. Negotiable by endorsement. Statute of Limitations. Salvage. **B.** An agent issues about 50 cheques each day, and usually at the end of each month about 60 are current and not yet presented at the Bank. What means would you think best to ensure a correct list of these outstanding Cheques on the first day of the succeeding month ?

**C.** The following was the statement of affairs of Arthur Archer, wine merchant, on 31st Jan., 1896 (par. 79).

| | | | |
|---|---|---|---|
| *Liabilities :* | | | |
| Bills Payable—No. 241, £187 16, No. 242, £150.. | £337 | 16 | – |
| Overdraft at Bankers, £213 5 ; Concia & Co., Lisbon | 824 | 17 | 6 |
| Druitt & Duse, £596 10 - ; Sundry Creditors .... | 1438 | 10 | 9 |
| Capital ..... | 4364 | 2 | 6 |
| *Assets :*—Stock in bond, in cellars and with agents.. | 3070 | 15 | – |
| Bills Receivable—No. 104, £137, No. 105, £50 .. | 187 | – | – |
| Stock on Consignment with Henry Hart, Montreal | 874 | 10 | 6 |
| Europa Club, £185 6 –. Grant & Green ..... | 72 | 15 | – |
| Sundry Debtors—Agents, £1144 9 6 ; Trade A/cs. | 2240 | 5 | 9 |

On Feb. 1st, the business was transferred to Bruce Balfour on the following terms. The cap., together with a premium of £800 for Goodwill, to be paid on taking possession, in cash £1664 2 6, and three P/N. for £1000, £1000, and £1500 at 3, 4, and 6 mos., any of which might be retired at any time less a rebate of 6%, Balfour taking all the Assets with all profits and risks, and undertaking to discharge all Liabilities. Open and close the a/cs. for these particulars and the following transactions of Balfour. Receipts paid bank same day, and all payments, unless otherwise stated, by cheque.

| | | | | |
|---|---|---|---|---|
| Feb. 1. | Paid Cash into Bankers (*Balfour's Capital*) | £3000 | – | – |
| | Delivered to Arthur Archer, cheque ..... | 1664 | 2 | 6 |
| | Delivered to A. Archer, 3 P/N. Nos. 243, 4 and 5, for £1000, £1000 and £1500 .... | 3500 | – | – |
| | Drew cheque for office cash ..... | 50 | – | – |
| ,, 3. | Drew Bill, No. 106, @ 3 mos. on Europa Club which they accepted (171) ..... | 150 | – | – |
| ,, 3 | Sold Kirk & Co., wines as per invoice .... | 72 | 10 | – |
| ,, 4. | Received cash, sundry trade debts collected | 238 | – | – |
| ,, 7. | Paid traveller's commission and expenses | 14 | – | – |
| | Sold Kirk & Co., 10 cases champagne .... | 38 | 10 | – |
| ,, 10. | Accepted Concia & Co.'s bill @ 3 mos. (172) | 700 | – | – |
| | Paid them cheque ..... | 124 | 17 | 6 |
| ,, 12. | Recd. from Hy. Hart A/S. of consignment with sight draft net proceeds (176) .... | 936 | 17 | 6 |
| ,, 15. | Paid Local Board rates ..... | 8 | 1 | 4 |
| | Paid law costs transfer of business ..... | 23 | 6 | 8 |

| | | | | |
|---|---|---|---|---|
| Feb.18. | Received payment of bill No. 104 (146)... | £137 | – | – |
| | Sold Lord Lingrove wines as per invoice.. | 185 | – | – |
| ,, 19. | Recd. of Kirk & Co., cash £109, dis. £2 .. | 111 | – | – |
| | Shipped on consignt. to H. Hart wines (174) | 742 | – | – |
| | Paid shipping charges, freight, insurance | 13 | 12 | 6 |
| ,, 21. | Sold Europa Club 10 cases claret at 45/-.. | 22 | 10 | – |
| ,, 25. | Paid off bill No. 245 under rebate (169) .. | 1461 | – | 10 |
| | Accepted Druitt & Duse's draft @ 3 mos. (172) ..... | 500 | – | – |
| ,, 28. | Pd. Book-keeper & month's wages office cash | 28 | 9 | 4 |
| Mar. 1. | Recd of H. Hart, on a/c. of consignt. (176) | 450 | – | – |
| ,, 3. | Recd. of Sundry agents, cash as per C/B. | 284 | – | – |
| ,, 3. | Bot. of Nuelli & Co., 10 pipes port for 4 months bill ..... | 580 | – | – |
| ,, 5. | Sold sundry persons wines, as per day book | 421 | 5 | – |
| ,, 7. | Paid sundry trade creditors, as per C/B... | 356 | 10 | – |
| ,, 9. | Recd.of Ochoa&Co.wines on consignt.(178) | 746 | 15 | – |
| | Paid dock charges (178) ..... | 5 | 9 | 6 |
| ,, 12. | Rose's bill returned dishon'red&noting(166) | 50 | 1 | 6 |
| | Drew cheque for office cash ..... | 20 | – | – |
| ,, 15. | Sold Lord Lingrove further wines ..... | 81 | 15 | – |
| | Received his cheque on a/c. for ..... | 125 | – | – |
| ,, 17. | Recd. first and final dividend, 17/6 in the £ from Grant & Green (95a) ..... | 63 | 13 | 2 |
| ,, 18. | Sold out of bond goods consigned by Ochoa (178) ..... | 825 | – | – |
| | Charged Commission 5% ..... | 41 | 5 | – |
| | Remitted them 7 days draft in settlement | 778 | 5 | 6 |
| ,, 20. | Bot. of Druitt & Duse, 40 cases champagne | 120 | – | – |
| ,, 22. | Paid bill No. 241 (146) ..... | 187 | 16 | – |
| | Recd. cash, sundry agents ..... | 203 | 5 | – |
| | ,, from Richd. Rose, for bill & exs. | 50 | 1 | 6 |
| ,, 24. | Sold Europa Club for cash, wine ..... | 39 | 15 | – |
| | Received cash, sundry trade a/cs. ..... | 234 | 7 | 4 |
| ,, 26. | Bought of Nuelli & Co., claret ..... | 78 | 10 | – |
| | Claimed on them for ullage (leakage) of claret, claim allowed ..... | 5 | – | – |
| ,, 26. | Paid them cheque, £69 11 6, dis. £3 18 6.. | 73 | 10 | – |
| ,, 30. | Pd. month's wages & petty exs. office cash | 29 | 6 | 6 |
| ,, 31. | Paid quarter's rent, office and cellars .... | 25 | – | – |
| | *Stock-in-trade, valued at cost* ..... | 2341 | 4 | 6 |

**Answer.**—*Trial Balance*, £10497 10 5; *Profit on Wine*, £100 4 6; *on Consignment No.* 1, £62 7 -; *Net Profit*, £107 8 6; *Bal. of Cap. A/c.*, £3107 8 6. *Total of B/S.*, £8785 19 3.

**Exercise 52.** (*Society of Arts, Inter.*, 1897.)

**A.** Explain clearly the difference between Guaranteed, Preference, Ordinary, and Deferred Stocks. How would you keep the Cap. and Revenue A/c. of a Reserve Fund Investment in some of them where occasional changes by purchases and sales take place? How would you value the stocks at the close of each year? **B.** What are Real A/cs.? Have they any other name? How are they closed?

**C.** The "Clayshire Tyke" is a weekly Newspaper. The Proprietor's Balance Sheet, on Dec. 31st, 1896, showed **Trade Debts** owing by him £238 17 4, Subscription Orders received but not fulfilled £201 5 6, Bills Payable Nos. 18 and 19, £120 and £76 14 4 respectively; Owing to Powder & Co., £138 7 6, and to Snowball & Bell £48 9 -. His **Trading Property** consisted of Freehold Premises, Machinery and Fixed Plant £4726 10 -; Fixtures, Type and Stereos £567 16 5; Amounts owing by Sundry Agents £187 10 -; Debts due from Advertisers £71 9 5; Paper Stock £102 15 6; Ink, Wrappers and other Stock £25 7s. 6d.; Cash at Bank £537 1 10; in Office £17 2 6; Stamps £6 8 -. You are desired to determine his Cap., open proper A/cs., and record and post thereto the following transactions. After that you will bal. the A/cs., and draw out a T.B., P. & L. A/c., and B/S. for the period of two months ending Feb. 27th, 1897. All cash receipts paid into Bank the same day; and all payments, unless otherwise stated, made by cheque.

| | | | | | |
|---|---|---|---|---|---|
| Jan. 2. | Paid for postage stamps | £25 | – | – |
| „ 8. | Recd. cash, sundry agents, as per Cash Book | 114 | 15 | 8 |
| | Discounts and returns for papers unsold | 21 | 7 | 5 |
| „ 12. | Received subscriptions in advance as per Subscription Order Book | 294 | 5 | 6 |
| „ 18. | Bot. of Powder & Co., paper for 2 mos. Bill | 146 | 19 | – |
| „ 21. | Paid for stamps | 55 | – | – |
| „ 25. | Bought of Snowball & Bell, Ink | 15 | 12 | – |
| „ 29. | Received cash from agents | 34 | 7 | 9 |
| | Discount and returns allowed them | 10 | 10 | 10 |
| „ 31. | Production a/c. paid editors and contributors | 49 | 9 | – |
| | „ „ paid compositors, machining, and office wages | 41 | – | – |
| | „ „ paid sundry exs., office cash | 9 | 11 | 7 |
| | Stamps used for subscribers' copies per book | 73 | 10 | – |
| | Advertisement orders for month as per Advertising Journal:—Cash recd. with adverts. | 113 | 14 | 6 |
| | Credit accounts | 142 | 17 | – |
| | Received cash, sales over counter | 131 | 7 | 4 |
| | Sales to agents for month per Agents' Book | 135 | 8 | 6 |
| | Production a/c., News Agency telegrams paid as per Telegram Book | 31 | 17 | – |
| Feb. 1. | Paid Bill No. 18 due this day (146) | 120 | – | – |
| | Pd. Powder & Co., £133 - 6; dis. £5 7 - | 138 | 7 | 6 |
| | Paid sundry trade accounts owing | 59 | 10 | – |
| „ 2. | Received cash, waste paper sold | 17 | 4 | 4 |
| „ 3. | Recd. payment credit advertisers' a/c. | 41 | 15 | 9 |
| | Purchased for cheq. printing office fixtures | 12 | 10 | – |
| „ 4. | Recd. cash, additional subscriptions | 116 | 7 | 6 |
| „ 5. | Bot. of Powder & Co., paper for 3 mos. bill | 231 | 15 | – |
| | Received cash for old type sold | 11 | 4 | 6 |
| „ 6. | Paid for stamps | 32 | – | – |
| „ 9. | Bot. of Snowball & Bell, ink rollers | 36 | 5 | 8 |
| „ 13. | Received cash from agents | 95 | 10 | 6 |
| | Discounts and returns allowed them | 27 | 5 | 7 |

| | | | | |
|---|---|---|---|---|
| Feb. 16. | Recd. cash, advertisers' credit a/cs. ..... | £75 | 10 | – |
| | Proprietor's Private drawings (71) ..... | 200 | – | – |
| ,, 20. | Recd. cash, waste paper sold ..... | 10 | 4 | 6 |
| ,, 23. | Bought of Snowball & Bell, ink ..... | 20 | 11 | 6 |
| | Paid Bill No. 19 (146) ..... | 76 | 14 | 4 |
| ,, 24. | Received cash from agents ..... | 24 | 3 | 7 |
| | Discounts and returns allowed ..... | 4 | 16 | 6 |
| ,, 26. | Paid Snowball & Bell, £116, dis. £4 18 2.. | 120 | 18 | 2 |
| ,, 27. | Received cash, sales over counter ..... | 128 | 4 | 5 |
| | Paid gas consumed in January ..... | 15 | 3 | 8 |
| | Paid for stamps ..... | 30 | – | – |
| ,, 27. | Advertisem't orders per Advertising J'rnal : | | | |
| | Credit of £83 2 6, cash recd. with adverts. | 152 | 9 | 9 |
| | Production a/c., pd. editor and contributors | 50 | 2 | – |
| | ,, pd. compositors, machining and office wages ..... | 47 | 15 | – |
| | ,, ,, paid office cash, petty exs. | 6 | 1 | 9 |
| | Stamps used for subscribers' copies ..... | 69 | 7 | – |
| | Sales to agents for month..... | 140 | 10 | 6 |
| | Production a/c., pd. News Agency telegrams | 42 | – | – |
| | Depreciation of building, machinery & plant | 32 | 10 | – |
| | ,, fixtures, type & stereos (82) | 18 | 9 | 6 |
| | *Stock of paper on hand* ..... | 220 | 10 | 6 |
| | ,, *ink, wrappers, and sundries* ..... | 15 | 3 | 8 |
| | *Liability for Subscriptions unfulfilled* ..... | 284 | 17 | 6 |
| | ,, *for serial adverts. not yet appeared* | 21 | 15 | 9 |
| | *Trial Balance* £7510 18 10. | | | |

**Dr.** **Subscriptions A/c.** (Ex. 52). **Cr.**

| 1897 | | £ | s. | d. | 1897 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 31 | To Postages ..... | 73 | 10 | – | Jan. 2 | By Balance b/f ... | 201 | 5 | 6 |
| Feb. 27 | ,, Postages ..... | 69 | 7 | – | ,, 12 | ,, Cash ..... | 294 | 5 | 6 |
| ,, 27 | ,, *Subscriptions unfulfilled c/d.* | 284 | 17 | 6 | Feb. 4 | ,, Cash ..... | 116 | 7 | 6 |
| ,, 27 | ,, *Transfer to Sales A/c.* ..... | 184 | 4 | – | | | | | |
| | £ | 611 | 18 | 6 | | £ | 611 | 18 | 6 |
| | | | | | Mar. 1 | By Subs. unfulfilled b/d | 284 | 17 | 6 |

**Dr.** **Sales A/c.** (Ex. 52.) **Cr.**

| 1897 | | £ | s. | d. | 1897 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Feb. 27 | *To Transfer to P. & L. A/c.* | 747 | 3 | 7 | Jan. 31 | By Cash Sales .... | 131 | 7 | 4 |
| | | | | | Feb. 2 | ,, Waste Paper .. | 17 | 4 | 4 |
| | | | | | ,, 20 | ,, Waste Paper .. | 10 | 4 | 6 |
| | | | | | ,, 27 | ,, Cash Sales .... | 128 | 4 | 5 |
| | | | | | ,, 27 | ,, Agents for S.B. | 275 | 19 | – |
| | | | | | ,, 27 | ,, Subscript'ns A/c. | 184 | 4 | – |
| | £ | 747 | 3 | 7 | | £ | 747 | 3 | 7 |

**Dr.** **Production A/c.** (Ex. 52). **Cr.**

| 1897 | | £ | s. | d. | 1897 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 31 | To Editor's and Contributors' Salaries .. | 49 | 9 | – | Feb. 27 | *By Transfer to P. & L. A/c.* | 277 | 16 | 4 |
| ,, 31 | ,, Compositors' and other Wages .... | 41 | – | – | | | | | |
| ,, 31 | ,, Office Expenses ... | 9 | 11 | 7 | | | | | |
| ,, 31 | ,, NewsAgencyTeleg's | 31 | 17 | – | | | | | |
| Feb. 27 | ,, Editor's and Contributors' Salaries .. | 50 | 2 | – | | | | | |
| ,, 27 | ,, Compositors' and other Wages .... | 47 | 15 | – | | | | | |
| ,, 27 | ,, Petty Expenses ... | 6 | 1 | 9 | | | | | |
| ,, 27 | ,, NewsAgencyTeleg's | 42 | – | – | | | | | |
| | | £277 | 16 | 4 | | | £277 | 16 | 4 |

**Dr.** **Profit & Loss A/c.** (Ex. 52). **Cr.**

| 1897 | | £ | s. | d. | 1897 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Feb. 27 | To Production A/c. | 277 | 16 | 4 | Feb. 27 | By Sales A/c..... | 747 | 3 | 7 |
| ,, 27 | ,, Paper A/c. ..... | 260 | 19 | – | ,, 27 | ,, Advertisements A/c. | 470 | 8 | – |
| ,, 27 | ,, Ink, Wrappers, A/c | 46 | 7 | 4 | | | | | |
| ,, 27 | ,, Gas A/c. ..... | 15 | 3 | 8 | ,, 27 | ,, Discount A/c. | 10 | 5 | 2 |
| ,, 27 | ,, Discount and Returns A/c. | 64 | – | 4 | | | | | |
| ,, 27 | ,, Depreciation A/c. | 50 | 19 | 6 | | | | | |
| ,, 27 | ,, *Net Profit* ..... | 512 | 10 | 7 | | | | | |
| | | £1227 | 16 | 9 | | | £1227 | 16 | 9 |

## BALANCE SHEET on 27th February, 1897.

| **Liabilities.** | £ | s. | d. | **Assets.** | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Sundry Creditors :— | | | | Cash in hand ..... £1 9 2 | | | |
| On Bills Payable .. | 378 | 14 | – | Cash at Bank ..... 761 5 11 | | | |
| On Open Accounts | 179 | 7 | 4 | | 762 | 15 | 1 |
| Subscriptions ..... | 284 | 17 | 6 | Postage Stamps ..... | 5 | 11 | – |
| Advertisers ..... | 21 | 15 | 9 | Sundry Debtors :— | | | |
| **Capital :—** | | | | Agents.....£130 11 2 | | | |
| 1st Jan. £5418 7 6 | | | | Advertisers ..... 180 3 2 | | | |
| *Add* Profit 512 10 7 | | | | | 310 | 14 | 4 |
| 5930 18 1 | | | | Stocks of :— | | | |
| *Less* | | | | Paper .....£220 10 6 | | | |
| Drawings 200 – – | | | | Ink, Wrappers and Sundries ..... 15 3 8 | | | |
| | 5730 | 18 | 1 | | 235 | 14 | 2 |
| | | | | Fixtures, Type & Stereos £567 16 5 | | | |
| | | | | Fixtures purchased .. 12 10 – | | | |
| | | | | 580 6 5 | | | |
| | | | | *Less* Type sold £11 4 6 | | | |
| | | | | *Less* | | | |
| | | | | Depreciation 18 9 6 | | | |
| | | | | 29 14 – | | | |
| | | | | | 550 | 12 | 5 |
| | | | | Premises, Machinery & Fixed Plant .....£4726 10 – | | | |
| | | | | Ink Rollers purchased 36 5 8 | | | |
| | | | | 4762 15 8 | | | |
| | | | | *Less* Depreciation .... 32 10 – | | | |
| | | | | | 4730 | 5 | 8 |
| | £6595 | 12 | 8 | | £6595 | 12 | 8 |

## PARTNERSHIP.

**202.** A **Partnership** or private firm is the voluntary *unincorporated* association of two or more persons who contribute money, effects, labour, care, or skill, for the purpose of carrying on, as principals, a common undertaking, for a lawful object, for their common profit. The law of partnership has been declared and amended by **The Partnership Act, 1890,** which defines partnership as "the relation which subsists between persons carrying on business with a view of profit." The essence of partnership is *mutual agreement,* and the partnership *contract* need not be in writing, but may be entered into verbally, or inferred from the conduct of the parties. An agreement in writing for a partnership is designated by the name of **Articles of Partnership,** and, although not absolutely necessary, it is customary and expedient that such an agreement, setting forth all the terms arranged between the partners, should be prepared by a solicitor. The **Articles** should, at least, state (**1**) the nature of the business, (**2**) the firm or style under which it is to be known, (**3**) the trade mark adopted, if any, (**4**) its duration, (**5**) premiums, if any, (**6**) amount and proportion of capital, (**7**) interest, salaries, and allowances to partners, (**8**) conduct and power of partners, (**9**) preparation of accounts and division of profits and losses, (**10**) dissolution or method of winding up, (**11**) goodwill, (**12**) arbitration clause. A partnership is said to be **at will** when no limit has been fixed to its duration, and it may therefore be dissolved at any time; while a partnership for a **term** is that for which the time of dissolution has been previously fixed by the original agreement.

**203.** Persons who have entered into partnership with one another are called collectively a **firm,** and are **co-partners** to each other, the name under which they carry on business being the **firm name.** Partners may be active, dormant, or nominal. **Active** or **ordinary partners** are those who have joined together their money or labour with a view to the acquisition of gain, and who

are known to the public in such a capacity. A **dormant, sleeping** or **silent partner** is, on the contrary, one who does not appear to the world as a partner. Although he has retired from active participation in the business, he still retains his capital therein, participates in the profits, and is ordinarily responsible for the engagements of the firm. A **nominal** or **ostensible partner** is one who, without entering into any contract, incurs the liabilities of a partner, as between himself and third persons dealing with the firm, by lending his name and credit to a firm, or in any manner holding himself out as a partner therein, even without disclosing his name, if such holding out has come to the knowledge of such third persons. **Each partner** is deemed the **agent** of the rest, whether they be actual or nominal, acting or dormant, and has authority, as such, to bind them to any person dealing bona-fide by such contracts respecting the goods or business of the firm as are within the ordinary scope of the partnership dealing. Every partner is liable, jointly (and severally in Scotland), for the **debts** incurred by or on behalf of the firm in the ordinary course of business ; in fact, to this extent, each partner is an agent of and for the others. This liability extends to wrongful acts done in furtherance of the partnership business.

**204. DISSOLUTION** of partnership may be effected (**1**) by effluxion of time, if entered into for a fixed term, (**2**) by notice, if the partnership is for an undefined time, *i.e.*, a partnership at will, (**3**) by death or bankruptcy of any partner, unless there is an agreement to the contrary between the partners, (**4**) at the option of the other partners by one of the partners suffering his share of the partnership property to be charged for his separate debt, (**5**) by the happening of any event which makes the partnership illegal, (**6**) by judgment of the Chancery Division of the High Court of Justice, which may be obtained on various grounds, such as lunacy of a partner, or permanent incapability of a partner to perform his duties. When a **partner retires,** the other partners may agree to hold him free of all liabilities already

incurred, and this, if assented to by the creditors, will give him a complete release ; if the creditors are not partners to this agreement, he is still a debtor. A retiring member is not as such liable for debts contracted subsequently to his retirement, but he may be so if he continues an apparent member of the firm as regards persons who are not aware that he had ceased to be a partner. In order to escape liability for future transactions of the firm, he should give **actual notice** to **customers** who were in the habit of dealing with it, but a **notice** in the **London Gazette** will be sufficient as regards persons who had no dealings with the firm before the date of the dissolution or change, and it is advisable in case of **local firms** to give further **notice** through the **local papers.** A dormant partner is not liable for debts contracted after his retirement, neither is the estate of a partner who dies or becomes bankrupt. The **creditors** of the **partnership** have a right to the payment of their debts out of the **partnership funds,** before the private creditors of any of the partners. On the other hand, the **separate creditors** of each partner are entitled to be first paid out of the **separate effects** of their debtor, before the partnership creditors can claim anything.

**205.** By **The Partnership Act, 1890,** the interests of partners in the partnership property and their rights and duties in relation to the partnership are determined, *in the absence of, and subject to, any agreement,* express or implied between the partners, by the following **rules:** (**1**) All the partners are entitled to **share equally** in the **capital** and **profits** of the business, and must contribute equally towards the losses, whether capital or otherwise, sustained by the firm. An agreement for inequalities may be conclusively inferred from the mode in which the partners have dealt with each other, and from the contents of the partnership books. (**2**) The firm must **indemnify** every partner in respect of payments made and personal liabilities incurred by him (*a*) in the ordinary and proper conduct of the business of the firm ; or (*b*) in or about anything necessarily done for

the preservation of the business or property of the firm. (3) A partner making, for the purpose of the partnership, any actual payment or **advance** beyond the amount of capital which he has agreed to subscribe, is entitled to **interest** on such a **loan** at the rate of five per centum per annum from the date of the payment or advance. (4) A partner is *not* entitled, before the ascertainment of profits, to **interest** on the capital subscribed by him. (5) Every partner may take part in the **management** of the partnership business. (6) No partner is entitled to **remuneration** for acting in the partnership business. A partner must *not* make **private gain** out of the partnership, or compete with the firm. **All profits** made by a partner in any business which he carries on in rivalry with the firm to which he belongs must be accounted for. (7) No person may be **introduced** as a **partner** without the consent of all existing partners. (8) Any **difference** arising as to ordinary matters connected with the partnership business may be **decided** by a **majority** of the partners, but no change may be made in the nature of the partnership business without the consent of all existing partners. (9) The partnership **books** must be kept at the place of business of the partnership, and every partner may, when he thinks fit, have access to and inspect and copy any of them. No partner is entitled to deprive his co-partner of his right to inspect the accounts by keeping them in a private book of his own.

**206. Subject** to any *agreement* between the partners, the **amount** due from **surviving** or continuing **partners** to an outgoing partner, or the representative of a deceased partner in respect of the outgoing or deceased partner's share, is a debt accruing at the date of the dissolution or death. In **settling accounts** between partners after a dissolution of partnership, the *Partnership Act*, 1890, enacts that the following **rules** shall, subject to any agreement, be observed :—(*a*) **Losses,** including losses and deficiencies of capital, are to be paid *first* out of profits, *next* out of capital, and *lastly*, if necessary, by the partners individually in the proportions in which they were entitled to share profits ; (*b*) The **assets** of the

firm, including the sums, if any, contributed by the partners to make up losses or deficiencies of capital, are to be applied in the following manner and order :—(**1**) In paying the debts and liabilities of the firm to persons who are not partners therein ; (**2**) In paying to each partner rateably what is due from the firm to him for advances as distinguished from capital ; (**3**) In paying to each partner rateably what is due from the firm to him in respect of capital ; (**4**) The ultimate residue, if any, shall be divided among the partners in the proportion in which profits are divisible.

**207. The Limited Partnerships Act, 1907,** which came into operation on the 1st January, 1908, allows a new kind of partnership to be constituted, consisting of one or more **general partners,** who are liable for all the debts of the partnership, and one or more **limited partners,** who are liable for such debts to a stated amount only. This Act constitutes, for the first time, a trading firm with *limited liability* of one or more of the partners. The **limited partner** can invest a **fixed sum** and can, from time to time, increase such amount if he so desires. He has no power or authority to bind the firm in any way, but he has full rights of investigation, examination and advice. He may, by himself, or his agents, at any time, inspect the books and examine into the state and prospects of the business, and may advise with the partners. But should a limited partner take any part in the management of the business he will be liable for all the debts incurred while he continues in the management, as if he were a general partner. Under this statute a young man starting in business can, with reasonable safety, be financed by any friends or relations who may be willing to risk a limited amount of capital as partners of a limited firm. Businesses already established, and finding their progress hampered by insufficient capital, can avail themselves of this simple method of introducing fresh capital, without the expense, trouble and formalities of turning themselves into limited companies.

**208.** A limited partnership cannot consist, in the case of a partnership carrying on the business of banking, of more than ten partners, and in the case of any other partnership, of more than twenty partners, and must consist of one or more partners, called **general partners,** who are **liable** for **all debts** and obligations of the firm, and one or more persons, to be called **limited partners,** who must at the time of entering into such partnership, contribute thereto a sum or sums as capital or property valued at a stated amount, and who will *not* be liable for the debts and obligations of the firm beyond the amount so contributed. A limited partner cannot, during the continuation of the partnership, either directly or indirectly, withdraw any part of his capital, and if he does withdraw any part thereof, he is liable for the debts and obligations of the firm up to the amount so withdrawn.

**209. A limited partnership** must be **registered** in accordance with the provisions of the Act, or in default thereof it will be deemed an ordinary partnership, and every limited partner will be deemed to be a general partner. To obtain such a **registration** the following particulars signed by all the partners, must be sent to the Registrar of Joint Stock Companies in London ; if in Scotland to the Registrar in Edinburgh, and if in Ireland to Dublin—(*a*) the firm name ; (*b*) the general nature of the business ; (*c*) the principal place of business ; (*d*) the full name of each of the partners ; (*e*) the term, if any, for which the partnership is entered into, and the date of its commencement ; (*f*) a statement that the partnership is limited, and the description of every limited partner as such ; (*g*) the sum contributed by each limited partner, and whether paid in cash or how otherwise. If during the continuance of the limited partnership any **change** is made or occurs in the matters just specified, a statement signed by the firm, specifying the nature of the change, must, within seven days, be delivered to the Registrar, in default of which each of the general partners shall be liable for a fine not exceeding £1 per day during which the default continues. The **Statement** of the amount contributed

by a limited partner, and the statement of any increase in that amount sent to the registrar for registration under the Act, is chargeable with ad valorem stamp duty at the rate of 5/- per cent. **Any person** may **inspect** the Statements filed with the registrar on the payment of a fee of 1/-; and may **demand a copy** thereof on payment of the necessary fee.

**210.** The Act provides that, subject to any agreement, express or implied:—(*a*) any **difference** connected with the partnership business as to ordinary matters may be decided by a majority of the general partners, (*b*) a limited partner may, with the consent of the general partners, **assign** his shares, (*c*) the general partners shall not be entitled to **dissolve** if a limited partner charges his share for his separate debt, (*d*) a **new partner** may be introduced without the consent of the limited partners, (*e*) a limited partner is not entitled to dissolve the partnership by notice. A limited partnership cannot be **dissolved** by the death or bankruptcy of a limited partner, and the lunacy of a limited partner is no ground for the dissolution of the partnership by the Court, unless the lunatic's share cannot otherwise be ascertained and realised. **Notice** of any arrangement or transaction under which any person **ceases** to be a **general partner** and becomes a limited partner, or under which the share of a limited partner is **assigned** to any person, must be forthwith **advertised** in either the London, Edinburgh, or Dublin Gazette, according to the situation of the registered office of the firm, and until notice of the arrangement or transaction is so advertised it is deemed to be of no effect.

**211.** The **ACCOUNTS** of a **sole trader,** who carries on business at his own risk, and for his own exclusive account, only concern himself, and the persons with whom he deals, but the existence of a partnership necessitates additional accounts to record the (*a*) apportionment of capital, (*b*) remuneration of partners, (*c*) drawings of partners, and (*d*) division of profits. **Exercise 25,** explained on pages 70 to 74, in which the capital, interest, drawings and profits are equal, affords

an illustration of the simplest transactions in partnership a/cs. The **object** of keeping **partnership accounts** is to show (**1**) how the firm stands as regards strangers ; (**2**) how it stands towards its own members. The **Articles,** therefore, should provide not only for keeping proper books of account and for entry therein of all receipts and payments, but also for the preparation annually, at least, of a Profit and Loss Account and Balance Sheet. The Articles should also always contain a clause that the **accounts** when **signed** shall be treated as **conclusive,** and shall not be opened except for some manifest error discovered within a given time. It is usual to treat all the accounts of a partnership as accounts of the firm, and to deal with the accounts of each partner as if he were simply a debtor and creditor of the firm. Each partner's share of profit or loss is determined either by a verbal agreement, or the Articles, and in the absence of both, then the Partnership Act provides that it shall be divided **equally.**

**212.** A **Rest** in partnership accounts means that some particular account is to be closed at the date of the rest for the purpose of adjustment. Where such an account is one bearing **interest,** it implies that compound interest is to be calculated from the date of such rest to the next rest. Thus, Brown, a partner in a firm, lends money to the firm at the rate of 5 per cent., with half-yearly rests upon that account. This statement implies compound interest every half-year. **Salaries** of **partners** must always be charged to the Profit and Loss Account, while **Drawings** must be debited to their respective drawings or current accounts. If the capitals are *unequal* or the drawings are *unequal*, either in amount or period, **interest** should be reckoned thereon. Interest on Capital should be **calculated** on the amount at the commencement of the period, and allowance made for any additions thereto, or withdrawals therefrom during the period, interest being worked from the exact dates thereof. The effect of omitting to charge Interest on Capital is as follows :—(1) If the capitals are equal, and the profits are shared unequally, the partner entitled to

the smaller share of profit will lose. (2) If the partners share profits equally, but the capitals are not equal, the partner with the larger capital will lose. (3) Where the capitals are unequal, and the profits are shared unequally, the result to the partners depends upon the proportion in which the profits are shared, and the respective amounts of capital held by them.

**213. Interest** on Drawings is best dealt with by the use of two money columns on the Debtor side of the Drawings A/c., one for recording the amount withdrawn, and the other for entering, on the same line, the interest payable in respect of each sum, calculated forward to the time of balancing the books. The **total** of the **interest column** would be passed through the Journal on balancing, thus: *George Green's Drawings A/c. Dr. To Interest A/c.* £3; and posted underneath the last withdrawal as follows :—

**Dr.** **George Green's Drawings A/c.** **Cr.**

| 1909. | | Interest. | £ | s. | d. | 1909. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|
| Mar. 31 | To Cash ..... | 9 mos. | 1 | 10 | - | Dec. 31 | *By Transfer to Capital A/c.* | 163 | - | - |
| June 30 | ,, Cash ..... | 6 mos. | 1 | - | - | | | | | |
| Sept. 30 | ,, Cash ..... | 3 mos. | | 10 | - | | | | | |
| Dec. 13 | ,, Cash ..... | ..... | | | - | | | | | |
| ,, 31 | ,, Interest ..... | ..... | | | - | | | | | |
| | | £ | 3 | - | - | | £ | 163 | - | - |

When an exercise states definitely the amount of the withdrawal, and the *interest accrued thereon up to the time of such withdrawal*, no calculation is, of course, required. But care must be taken when calculating the interest on the Capital to reckon it on the *net* capital only, after deduction of the withdrawal, and then *add the interest accrued on the withdrawal* to the interest on the net capital. For instance: *Capital* £9652, *withdrawn during the year* £520, *interest accrued thereon* £24, would be debited in the P. & L. A/c., thus :—

To Interest on Capital :—
For one year on £9132 @ 5% .....£456 12 -
To date of withdrawal on £520 @ 5% 24 - -
£480 12 -

**214.** While the above method of carrying the total of the Drawings A/c. to the Capital A/c. when balancing

the books is a common one, it is sometimes considered advisable to allow the amount of the **capital** of each partner to remain at its **original figure** and make *no* further entry in the Capital A/c. When this is the case, the share of profits due to each partner, as well as his Interest on Capital, is *credited* to his **Drawings A/c.,** instead of his Capital A/c., and any **balance** existing on closing the books is carried down, thus :—

**Dr.** **Fred Lodge's Drawings A/c.** **Cr.**

| 1914. | | £ | 1914. | | £ |
|---|---|---|---|---|---|
| Mar. 31 | To Cash | 80 | Dec. 31 | By Interest on Capital. | 250 |
| June 30 | ,, Cash | 80 | ,, 31 | ,, Share of Profit | 350 |
| Sept. 30 | ,, Cash | 80 | | | |
| Dec. 31 | ,, Cash | 80 | | | |
| ,, 31 | ,, Interest | 6 | | | |
| ,, 31 | ,, *Balance*.....*c/d.* | 274 | | | |
| | | £600 | | | £600 |
| | | | 1915. | | |
| | | | Jan. 1 | By Balance .....b/d. | 274 |

**215.** It is principally in the **opening** and **closing** of the **account books** that partnership transactions are involved ; as in (*a*) the establishment or purchase of a partnership business, (*b*) the introduction of a new partner, (*c*) the dissolution of a partnership by death, retirement, expiration of period, an agreement to wind up, or insolvency. When the **only asset** of the partners at the commencement is **Cash,** the respective amounts are recorded on the Dr. side of the Cash Book and posted to the credit of the Capital a/cs. Should any or all of the partners provide Capital *in kind*, as Stock, Premises, Machinery, Patents, Copyright, &c., the values thereof must be *debited*, (through the medium of the Journal) to their respective accounts, and the total value of each contribution *credited* to the Capital a/c. of the partner contributing the same.

**216.** Where an **existing business** is to be **purchased** care must be taken by the purchasers that none of the assets are over-valued, and that an ample reserve is provided on the book debts. The price paid for the **Goodwill** must be added to the value of the assets, from the total of which will be deducted the amount (if any) due to Sundry Creditors, the *difference* showing the Cash

payable to the Vendors. The purchasing firm must not make the mistake of spending *all* its capital on the purchase of the business, but must provide sufficient cash for **working capital.** It is advisable to record the purchase of a business in a specific account, similar to the following, which is supplemented by the first Balance Sheet of the new firm :—

**Dr. Purchase of Business A/c. Cr.**

| 1909 | | £ | 1909 | | £ |
|---|---|---|---|---|---|
| Jan. 1 | To Sundry Creditors . | 5000 | Jan. 1 | By Sundry Debtors .. | 8600 |
| | „ Cash paid to Vendors ..... | 18000 | | „ Stock ..... | 5300 |
| | | | | „ Machinery ..... | 2600 |
| | | | | „ Premises ..... | 4500 |
| | | | | „ Goodwill ..... | 2000 |
| | | £ 23000 | | | £ 23000 |

**Balance Sheet of Booth & Co., on 1st January, 1909.**

| Liabilities. | £ | £ | Assets. | £ |
|---|---|---|---|---|
| Sundry Creditors ..... | | 5000 | Cash ..... | 2000 |
| *Capital :* | | | Stock ..... | 5300 |
| Egbert Booth ..... | £10000 | | Sundry Debtors ..... | 8600 |
| Alfred Griffin ..... | 5000 | | Machinery ..... | 2600 |
| William Lord ..... | 5000 | | Premises ..... | 4500 |
| | | 20000 | Goodwill ..... | 2000 |
| | £ | 25000 | £ | 25000 |

**217.** The **admission** of a **new partner** generally necessitates either an addition to the Capital of the business, or the payment of a certain sum to the existing partners in respect of **Goodwill,** or as a **Premium.** The mere introduction of Capital in the form of Cash, would only require debiting in the Cash Book and posting to the credit of the Capital A/c. of the new partner. A payment to the existing partners in respect of **Goodwill** could be made *outside* the business, or the sum could be paid into the business, and *credited* to the *Capital A/cs.* of the *original partners.* By this treatment the original partners get the *full benefit* of the payment made in respect of Goodwill. For instance, if George Glover were admitted to the firm of Booth & Co., on payment of £5000 Capital, and £1000 for Goodwill, the above Balance Sheet would require the Cash increasing to £8000, the Capitals of Booth, Griffin, and Lord

increasing respectively to £10,500, £5250, £5250, and George Glover adding, with £5000, thus :—

**Balance Sheet of Booth & Co.**

| Liabilities. | £ | £ | Assets. | £ |
|---|---|---|---|---|
| Sundry Creditors | | 5000 | Cash | 8000 |
| **Capital :—** | | | Stock | 5300 |
| Egbert Booth £10000 | | | Sundry Debtors | 8600 |
| *Add* Goodwill 500 | | | Machinery | 2600 |
| | 10500 | | Premises | 4500 |
| Alfred Griffin 5000 | | | Goodwill | 2000 |
| *Add* Goodwill 250 | | | | |
| | 5250 | | | |
| William Lord 5000 | | | | |
| *Add* Goodwill 250 | | | | |
| | 5250 | | | |
| George Glover | 5000 | | | |
| | | 26000 | | |
| | £ | 31000 | £ | 31000 |

**218.** Another method is that of admitting a partner merely upon his subscribing Capital, *without any payment for* **Goodwill,** but on condition that an amount shall be *credited to the original owner* of the business in respect of Goodwill. For instance, Thomas Thorp's Capital stood at £1500, and he admitted Charles Sykes on the payment of £1000 in Cash, and on condition that the value of the Goodwill should be agreed at £500 and credited to Thorp. The following Balance Sheets illustrate the result of this arrangement.

**Balance Sheet of Thomas Thorp on 1st Jan., 1914.**

| Liabilities. | £ | Assets. | £ |
|---|---|---|---|
| Creditors | 3500 | Cash | 200 |
| Capital | 1500 | Debtors | 1600 |
| | | Stock | 2500 |
| | | Premises | 700 |
| | £5000 | | £5000 |

**Balance Sheet of Thorp & Sykes on 1st Jan., 1914.**

| Liabilities. | £ | Assets. | £ |
|---|---|---|---|
| Creditors | 3500 | Cash | 1200 |
| **Capital:—** | | Debtors | 1600 |
| Thomas Thorp 1500 | | Stock | 2500 |
| *Add* Goodwill 500 | | Premises | 700 |
| —2000 | | Goodwill | 500 |
| Charles Sykes 1000 | | | |
| — 3000 | | | |
| | £6500 | | £6500 |

**219.** The payment of a **Premium** on admission to the partnership of a firm is practically an **admission fee** entitling the new partner to a share in the goodwill and profits of the business ; it is a method of securing an interest in and an income from a ready-made business. Such a **premium** is usually paid in cash, being handed over privately to the existing partners, *outside the business*, **no record** of the payment being made in the partnership books. Where one partner pays a premium to another on entering into a partnership for a fixed term, and the partnership is dissolved *before* the expiration of that term, otherwise than by the death of the partner, the Court may order the **repayment** of the premium or of such part thereof as it thinks just, having regard to the terms of the partnership contract, and to the length of the time during which the partnership is continued, unless (*a*) the dissolution is, in the judgment of the Court, wholly or chiefly due to the misconduct of the partner who paid the premium ; or (*b*) the partnership has been dissolved by an agreement containing no provision for a return of any part of the premium.

**220.** On the **dissolution** or **re-arrangement** of a partnership it is often necessary either to re-value or realise the assets and adjust the partnership accounts. All the **assets** should be carefully valued and any **Depreciation** or **Appreciation** of the book values adjusted through journal entries. **Expenses** paid in advance and those due, but not paid, at the time of preparing the accounts, should be apportioned. The most difficult asset to value, however, is generally **Goodwill.** In the event of a dissolution each partner (and the representative of a deceased partner), is entitled, in the *absence* of any agreement to the contrary, to have the Goodwill of the business sold for the common benefit of all the partners. In other words, the **Goodwill** and therefore the **firm-name,** is part of the partnership assets. In **practice** it is usual, in order to prevent such a sale from being inconvenient to the firm, to insert in the *Articles of Partnership*, a **stipulation** that, on the retirement or death of a partner, his share in the good-

will shall be **bought** by the remaining partners on some basis agreed upon. For instance, it may be stipulated that the goodwill shall be valued at *three years' purchase, i.e.*, on the basis of the aggregate of the net profits for the three years immediately preceding the dissolution. The meaning of *net profits* should be very clearly defined in the Articles, otherwise this expression may lead to serious disagreement and even litigation. In addition to the usual debits in a P. & L. A/c., partners' salaries and interest on capital should undoubtedly be charged, before arriving at the net profit. Goodwill indicates something transferable, and does not include the free services of the vendors. The **purchaser** of Goodwill *alone* is entitled to the use of the firm-name and to represent himself as continuing or succeeding to the business of the vendor. But the vendor's wife, having a separate estate, cannot be restrained from carrying on a competing business on her own account and in her *own* name. The vendor may also carry on a similar business and publicly advertise the same in competition with the purchaser, but *not* under the name of the former firm, whose customers he may *not* solicit.

**221. Partners** sometimes agree to effect **assurances** on their own lives, either jointly or severally, so that in the event of the **death** of a partner there is ample **ready cash** to pay out either the whole or a portion of the share of Goodwill and Capital due to the representatives of the deceased partner, the premiums being paid by the firm. This method often saves a firm from financial embarrassment at such a time, and is particularly advantageous where the surviving partners cannot introduce additional Capital at short notice. The **premiums** should be debited to the Profit & Loss A/c. of the firm, and in the event of the death of one of the partners, the amount received from the Insurance Co. should be divided in the proportion in which the partners share profits, and credited to their Capital A/cs., the deceased partner's Capital A/c. being credited with his share.

When the whole of the share of a deceased or retiring partner is not paid immediately, the balance should be

transferred to a **Loan A/c.,** Interest being credited at an agreed rate, and payments being debited as and when made.

**222.** The **accounting** necessary on **realisation** of a partnership estate involves the three following processes :—(**1**) Take stock, adjust the books, prepare the P. & L. A/c. and Balance Sheet; in other words, **balance** the **books** as for the *ordinary periodical balancing*, totally regardless of the subsequent slaughter. The B/S. thus produced is the *basis* of the realisation. (**2**) Open a Realisation of Assets A/c. (**3**) The necessary adjustments having been made through the Capital A/cs., the balances will indicate the amounts due to or by each partner.

**223.** A **REALISATION** or **LIQUIDATION A/c.** is practically a **P. & L. A/c.** which is opened for the purpose of recording the transactions on the occasion of (1) transferring a business as a going concern (2) the admission of a new partner (3) the dissolution or rearrangement of a partnership, consequent upon the death or retirement of one of the partners, &c. ; or (4) the winding-up or discontinuance of a business. **Debit** the a/c. with the (*a*) *total value* of the **Assets** as shown in the B/S. or Statement of Affairs as at the date of the commencement of the transfer or liquidation (*b*) Liabilities *not* entered in the books or B/S. but which have to be paid, such as outstanding a/cs. for taxes, repairs, interest on loans or capital, bank charges, &c. (*c*) Expenses on realisation ; and **credit** the a/c. with the actual Cash proceeds of the assets realised. The **difference,** like that of the ordinary P. & L. A/c., if a debit balance, shows a loss ; if a credit balance, a profit ; which should be transferred to the Capital A/cs. of the respective partners in the proportions in which they are interested in the profits and losses of the firm, or to the P. & L. A/c. in the case of a company. Where the company is being liquidated is to be taken over by a new company, a *debit* balance shows the *cost* of the concern

to the new company, and if a *credit* one, the amount of *profit* made out of the liquidation by the new company. It should be noted that the amount due to "Sundry Creditors £7000," appearing in the B/S. below, must *not* be entered in the Realisation A/c., which is only concerned with showing (*a*) on the **credit** side, the actual receipts of cash on the assets realised (*b*) on the **debit** side the book value of the assets; the amount due to creditors *not* entered in the books and therefore not included in the B/S.; and the expenses of the collection or sale of the assets. Any balance of Cash after payment of all the Creditors and the Expenses belongs, of course, to the partners; and if the profit or loss on realisation has been correctly carried to Capital A/cs., their *total balances will equal the cash in hand.* When a business is being **discontinued** and the assets realised, the following method might be adopted. Record the amounts received from the debtors, as well as those received in respect of the sale of the various assets, in their respective a/cs., deferring the preparation of the Realisation A/c. until the final balancing, carrying only the *differences* of the real and personal a/cs. to the Realisation A/c.

**Example 1.**—The following B/S. was extracted from the books of the firm, who omitted to include Sundry Outstanding Liabilities for Repairs, Rates, and Taxes, &c., amounting to £178. The realisation was completed on 30th Sept., the expenses being £737. The losses are borne in the same proportions in which the partners share the profits, in this instance according to the capital.

**Balance Sheet** on 30th June, 1909.

| **Liabilities.** | | | **Assets.** | |
|---|---|---|---|---|
| Sundry Creditors:— | | | Cash at Bank | £660 |
| On Mortgage | £4000 | | Sundry Debtors | 3800 |
| On Open A/cs. | 3000 | | Stock-in-Trade | 5560 |
| | | £7000 | Plant & Machinery | 2080 |
| CAPITAL A/cs.:— | | | Freehold Premises | 8000 |
| Benjamin Brown | £7000 | | | |
| John Jones | 3500 | | | |
| Robert Robinson | 3500 | | | |
| | | 14000 | | |
| | | £21000 | | £21000 |

**Dr. Realisation of Assets A/c. Cr.**

| 1909. | | | 1909. | | |
|---|---|---|---|---|---|
| June 30. | To Book Value of Assets as per B/S... | £21000 | Sept. 30. | By Cash at Bank, plus Int. ... | £685 |
| Sept. 30. | ,, Sundry Outstanding Creditors ..... | 178 | ,, ,, | Sundry Debtors ..... | 3460 |
| | ,, Expenses of Realisation ..... | 737 | ,, ,, | Stock-in-Trade..... | 3405 |
| | | | ,, ,, | Plant & Machinery .. | 2465 |
| | | | ,, ,, | Freehold Premises.... | 8800 |
| | | | ,, *Loss on Realisation transferred to Capital A/cs. of :—* | | |
| | | | | *Benjamin Brown* ...£1550 | |
| | | | | *John Jones* ..... 775 | |
| | | | | *Robert Robinson*..... 775 | |
| | | | | | 3100 |
| | | £21915 | | | £21915 |

**Dr. Benjamin Brown. Cr.**

| 1909. | | £ | 1909. | | £ |
|---|---|---|---|---|---|
| Sept. 30 | To Loss on Realisation | 1550 | June 30 | By Balance ..... | 7000 |
| | ,, Cash Repayment . | 5450 | | | |
| | | £ 7000 | | | £ 7000 |

**Dr. John Jones. Cr.**

| 1909. | | £ | 1909. | | £ |
|---|---|---|---|---|---|
| Sept. 30 | To Loss on Realisation | 775 | June 30 | By Balance ..... | 3500 |
| | ,, Cash Repayment . | 2725 | | | |
| | | £ 3500 | | | £ 3500 |

**Dr. Robert Robinson. Cr.**

| 1909. | | £ | 1909. | | £ |
|---|---|---|---|---|---|
| Sept. 30 | To Loss on Realisation | 775 | June 30 | By Balance ..... | 3500 |
| | ,, Cash Repayment . | 2725 | | | |
| | | £ 3500 | | | £ 3500 |

**Dr. Cash Account. Cr.**

| 1909. | | £ | 1909. | | £ |
|---|---|---|---|---|---|
| Sept. 30 | To Realisation of Assets | 18815 | Sept. 30 | By Creditors ..... | 7178 |
| | | | | ,, Expenses ..... | 737 |
| | | | | ,, Repayments to :— | |
| | | | | Benjamin Brown | 5450 |
| | | | | John Jones ..... | 2725 |
| | | | | Robert Robinson | 2725 |
| | | £ 18815 | | | £ 18815 |

**224.** It must be particularly noted that, in accordance with the decision of *Garner v. Murray*, on the occasion of a **dissolution,** where there is a **deficiency of capital,** after all the creditors are discharged, and in the absence

of any agreement to the contrary, the **Assets,** *including* the sums contributed by the partners to make up the losses or deficiencies of capital, must be applied in paying each partner rateably what is due from the firm to him in respect of capital. Consequently when one of three partners is unable to contribute his share of the deficiency of the assets to make good his capital, such deficiency is *not* borne by the solvent partners in the *same proportions* as a *loss*, but the **available assets** (cash produced by realisation, and the loss thereon chargeable against the solvent partners) must be divided between them in **proportion to their agreed capitals.** Mere losses by the firm, in the absence of any agreement, are always borne equally, but this rule does not apply to losses occasioned by the deficiency of a partner's capital. In other words, the issue to be decided in the winding-up of a *solvent* firm, is the proportion in which **Assets** are to be applied to the repayment of Capital when they are *not* sufficient to return it in full. It is not, therefore, the division of a Loss, but the division of the Assets. In the case of an *insolvent* firm, however, where all the Assets are exhausted, the private fortunes of the partners may be charged proportionately to the sharing of the profits, but one partner, being unable to bear his share of loss, his co-partners again divide this as they would divide profits.

**Example 2.** **Balance Sheet, No. 1.**

| Liabilities. | £ | Assets. | £ |
|---|---|---|---|
| Capital of Brown | 650 | Sundry Property | 630 |
| ,, Jones | 150 | Deficiency of Sykes | 170 |
| £ | 800 | £ | 800 |

The Assets are realised with the following results :—

**Dr.** **Realisation of Assets A/c.** **Cr.**

| | £ | | £ |
|---|---|---|---|
| To Book value of Assets | 630 | By Cash | 480 |
| | | ,, Loss on Realisation | |
| | | Brown £50 | |
| | | Jones 50 | |
| | | Sykes 50 | 150 |
| £ | 630 | £ | 630 |

**Balance Sheet No. 2.**

| Liabilities. | £ | Assets. | £ |
|---|---|---|---|
| Capital of Brown | 650 | Cash | 480 |
| ,, Jones | 150 | Loss on Realisation, divisible as Profits :— | |
| | | Brown, one-third....£50 | |
| | | Jones, one-third .... 50 | 100 |
| | | | 580 |
| | | Capital irrecoverable from Sykes.....£170 | |
| | | *Add* one-third loss. 50 | 220 |
| | £ 800 | | £ 800 |

**225.** If Sykes could contribute his £220 he must do so, but being insolvent and therefore unable, the accounts must be **closed** as follows :—The **contribution** of £50 each by Brown and Jones must be brought in, and the **available assets** will then total to £580, as shown above. This amount will be apportioned between Brown and Jones as the respective capitals of each over the total capital are to the available funds ; but from the resulting figures—£471 5 – and £108 15 – must be *deducted*, in each case, the *contribution* of £50 made by the solvent partners, towards the loss on realisation :—

| | | | |
|---|---|---|---|
| $\frac{650}{800}$ of £580 is ..... | £471 5 – | | |
| *Less* Brown's contribution ..... | 50 – – | £421 5 – | |
| $\frac{150}{800}$ of £580 is ..... | 108 15 – | | |
| *Less* Jones' contribution ..... | 50 – – | 58 15 – | |
| Equivalent to Cash available ..... | | £480 – – | |

**Example 2.** On the 1st January, 1909, the Capital of Messrs. Black & Co. was as follows :—Benjamin Black, £600 ; William White, £1373 ; George Green, £2004 ; Robert Red, £458. The Profit of the firm during the year amounted to £2871 10 10. On the 31st March, 30th June, 30th September, 31st December, Black and White withdrew £30 each ; Green and Red £40 each, these Drawings being subject to Interest at the rate of 5% per annum. Credit Interest on Capital at 5%, and divide the profits as follows :—Benjamin Black $\frac{1}{3}$rd, William White $\frac{7}{24}$ths, George Green $\frac{5}{24}$ths, Robert Red $\frac{1}{8}$th. Prepare Profit & Loss A/c. and Balance Sheet as on 31st December, when the Sundry Liabilities amounted to £1202 – 2, and Sundry Assets to £7948 11 –.

**Dr. Profit & Loss A/c. for the year ended 31st December, 1909. Cr.**

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To **Interest** on Capital, viz. :— | | | | By Profit | 2871 | 10 | 10 |
| Benjamin Black £30 | – | – | | „ Interest on Drawings | 10 | 10 | – |
| William White 68 | 13 | – | | | | | |
| George Green 100 | 4 | – | | | | | |
| Robert Red 22 | 18 | – | | | | | |
| | 221 | 15 | – | | | | |
| „ **Net Profit** :— | | | | | | | |
| Benjamin Black 1/3rd £886 | 15 | 3 | | | | | |
| William White 7/24ths 775 | 18 | 4 | | | | | |
| George Green 5/24ths 554 | 4 | 7 | | | | | |
| Robert Red 1/6th 443 | 7 | 8 | 2660 | 5 | 10 | | |
| | £2882 | – | 10 | | £2882 | – | 10 |

**Balance Sheet of Black & Co. on 31st December, 1909.**

| | | | | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sundry Liabilities** | | | | 1202 | – | 2 | **Sundry Assets** | 7948 | 11 | – |
| **Capital**, viz. :— | | | | | | | | | | |
| Mr. Benj. Black, 1st Jan., 1909 £600 | – | – | | | | | | | | |
| *Add* Interest on Capital 30 | – | – | | | | | | | | |
| *Add* Share of Profits 886 | 15 | 3 | | | | | | | | |
| 1516 | 15 | 3 | | | | | | | | |
| *Less* Drawings £120 – – | | | | | | | | | | |
| *Less* Interest 25 – 122 | 5 | – | 1394 | 10 | 3 | | | | | |
| Mr. Wm. White, 1st Jan., 1909 1373 | – | – | | | | | | | | |
| *Add* Interest on Capital 68 | 13 | – | | | | | | | | |
| *Add* Share of Profits 775 | 18 | 4 | | | | | | | | |
| 2217 | 11 | 4 | | | | | | | | |
| *Less* Drawings £120 – – | | | | | | | | | | |
| *Less* Interest 25 – 122 | 5 | – | 2095 | 6 | 4 | | | | | |
| Mr. Geo. Green, 1st Jan., 1909 2004 | – | – | | | | | | | | |
| *Add* Interest on Capital 100 | 4 | – | | | | | | | | |
| *Add* Share of Profits 554 | 4 | 7 | | | | | | | | |
| 2658 | 8 | 7 | | | | | | | | |
| *Less* Drawings £160 – – | | | | | | | | | | |
| *Less* Interest 3 – – 163 | – | – | 2495 | 8 | 7 | | | | | |
| Mr. Robert Red, 1st Jan., 1909 458 | – | – | | | | | | | | |
| *Add* Interest on Capital 22 | 18 | – | | | | | | | | |
| *Add* Share of Profits 443 | 7 | 8 | | | | | | | | |
| 924 | 5 | 8 | | | | | | | | |
| *Less* Drawings £160 – – | | | | | | | | | | |
| *Less* Interest 3 – – 163 | – | – | 761 | 5 | 8 | 6746 | 10 | 10 | | |
| | | | £ | 7948 | 11 | – | | £ | 7948 | 11 | – |

## Partnership Exercise 1.

Arthur Allan, James Binns, and Cecil Clarke, traded in partnership, sharing Profits and Losses in the proportions of $\frac{1}{2}$, $\frac{1}{3}$, and $\frac{1}{6}$, respectively. They determined to give up business on 31st December, 1910, their Balance Sheet showing as follows :—

| | | | |
|---|---|---|---|
| Sundry Creditors | £650 | Sundry Debtors | £1200 |
| Capital, viz. :— | | Stock | 2100 |
| Arthur Allan £2220 | | Cash | 90 |
| James Binns 830 | 3050 | Capital Deficiency of Cecil Clarke | 310 |

They accepted an offer from Dixon & Co. of £1000 for the Book Debts, and £1700 for the Stock. Prepare Realisation A/c. and adjust the Capital A/cs. of the three partners.

**Answer.**—*Loss on Realisation*, £600 ; *Cap., A.A* , £1920 ; *J.B.*, £630 ; *C.C. Dr. Balance* £410.

### Partnership Exercise 2.

Edwin Elliott and Fred Field enter into partnership, upon equal terms, for the purpose of purchasing and continuing the old-established business of the late George Glover. The business was taken over from Glover's executors as on 1st January, 1910, as a going concern, upon the basis of the last certified Balance Sheet, which was as follows :—

| | | | |
|---|---|---|---|
| Sundry Creditors | £3482 | Freehold Premises | £14200 |
| Reserve for Bad Debts | 385 | Plant A/c. | 8100 |
| Capital | 26593 | Sundry Debtors | 3420 |
| | | Stock on hand | 4140 |
| | | Office Furniture | 600 |

The purchase price was agreed at £28000, which amount was found in equal shares, by Elliott and Field, and duly paid over to Glover's executors. In addition, each partner paid £1000 into the new firm's banking account to provide Working Capital, and it was agreed, before opening the new books, to reduce the valuation of the Plant (as shown above) by £500, the stock by £450, and the Office Furniture by £200. Make the opening entries necessary to record the above transactions in the books of the new firm, and draw up a Balance Sheet showing the position of Messrs. Elliott & Field, at the commencement of the new partnership.

**Answer.**—*Total of B/S.*, £33482.

### Partnership Exercise 3.

| | | | | | |
|---|---|---|---|---|---|
| Sundry Creditors | | £270 | Cash | | £112 |
| Capital, viz. :— | | | Sundry Debtors | | 2064 |
| Henry Hill | £4396 | | Stock-in-trade | | 3084 |
| Seth Sykes | 4040 | 8436 | Machinery & Plant | | 3446 |

Henry Hill and Seth Sykes were in partnership, the former taking one-third of the profits and the latter two-thirds. On the death of Sykes the B/S. was as given above. The Articles of Partnership stipulated that the amount due to either partner upon his death was to remain in the business, subject to interest at 5%, but to be repayable to the representatives of the deceased by four equal amounts of £1000 per annum and a fifth instalment disposing of the balance of Capital at the end of the fifth year. The Goodwill was to be valued at £2400, and Sykes' share of this was to be paid out of the future profits of the business at the rate of one quarter of the net profits per annum, with interest added to the unpaid portion from year to year at the rate of 4%. The profits of the business after the death of Sykes were, during the first year £1440 ; second year £2080 ; third year £2860 ; fourth year £3156, from which profits the interest mentioned above must be deducted before arriving at the amount payable annually for Goodwill. Prepare Capital A/c. and Goodwill A/c. of Sykes'

representatives, showing interest and annual payments; also P. & L. A/c. of the firm necessary to record these transactions.

**Answer.**—*Int. on Cap., 1st year*, £202; *2nd*, £162 2 –; *3rd*, £120 4 –; *4th*, £76 4 4; *5th*, £30 – 6; *1st payment of Goodwill*, £293 10 –; *2nd*, £465 15 5; *3rd*, £675 7 1; *4th*, £335 9 7.

### Partnership Exercise 4.

| | | | | | |
|---|---|---|---|---|---|
| Sundry Creditors ..... | £1531 | 5 – | Cash ..... | £20 | 14 6 |
| Capital, Charles Carr . | 77 | – – | Sundry Debtors ..... | 214 | 8 4 |
| | | | Stock on hand ..... | 685 | 10 8 |
| | | | Fixtures & Fittings .... | 152 | – – |
| | | | Machinery & Plant ..... | 400 | – – |
| | | | Capital, deficiency of Walter Wake ..... | 135 | 11 6 |

Charles Carr and Walter Wake are in equal partnership, their Balance Sheet on 31st December, 1909, being given above. The Estate is realised with the following result:—Sundry Debtors, £165; Stock £500; Fixtures & Fittings, £50; Machinery, £200. The private estates of both partners are not sufficient to pay their private debts. The cost of collecting and distributing the Estate is £60. Prepare Realisation, Cash, Profit & Loss and Creditors' Accounts, showing what composition is paid to the Creditors.

**Answer.**—*Loss on Realisation*, £596 19 –. *Composition of* 11/5¼ *appvox. in the* £, £875 14 6.

### Partnership Exercise 5.

Henry Horn, Isaac Innis, and John Jenks are in partnership, their respective capitals being £1500, £1200, and £800. The partnership articles provide for interest on capital at 5% per annum, and profits and losses to be divided in the proportions of Henry Horn ½, Isaac Innis ⅓, John Jenks ⅙. Henry Horn has lent to the firm £1000 at 6% interest, and Isaac Innis £500 at the same rate. Interest on Capital and Loans is paid up to date. It is decided to dissolve partnership on 30th June, 1910, on which date the Assets and Liabilities (in addition to those to partners) of the firm were:—

| | | | |
|---|---|---|---|
| Sundry Creditors ..... | £3000 | Machinery & Plant ..... | £2000 |
| Bank Overdraft ..... | 2000 | Loose Tools, Patterns, &c. .... | 1000 |
| | | Stock-in-Trade ..... | 2500 |
| | | Sundry Debtors ..... | 4500 |

The business was sold as a going concern subject to the following allowances off the book values:—Machinery & Plant 10%; Loose Tools and Patterns and Stock, 20%; Book Debts 15%; but also subject to the payment of £600 for Goodwill. Prepare a Realisation A/c., and show what was the result to each partner.

**Answer.**—*Loss on Realisation*, £975. *Horn lost* £487 10 –; *Innis* £325; *Jenks* £162 10 –.

### Partnership Exercise 6.

Karl King, Lord Lane, and Maurice Munro were partners, and at the end of the term the following was the Balance Sheet:

| | | | | |
|---|---|---|---|---|
| Sundry Creditors ..... | | £17000 | Cash ..... | £125 |
| Partner's Capital:— | | | Sundry Debtors ..... | 13500 |
| Karl King ..... | £9500 | | Stock ..... | 9400 |
| Lord Lane ..... | 6225 | | Machinery & Plant ..... | 7000 |
| Maurice Munro ... | 1700 | 17425 | Investments ..... | 4400 |

The business was liquidated ; the Book Debts realised £12780 ; the Stock £8100, and Machinery & Plant £4000, and the Investments £5200. The partnership agreement provided that profits and losses, whether on trading or realisation, should be divided in the proportion of Karl King 4, Lord Lane 3, Maurice Munro 2. The cost and expenses of liquidation amounted to £850. Make up statement showing the final accounts of the partners.

**Answer.**—*Loss on Realisation*, £5070 ; *Cap. K.K.* £7246 13 4 *L.L.* £4535 ; *M.M.* £573 6 8.

## Partnership Exercise 7.

The surplus on 31st December, 1909, of assets over liabilities of a business in which Nero Nunns, Oliver Ogden, and Peter Price are partners was £22,460, and the shares therein of the partners were :—Nero Nunns, £9430 ; Oliver Ogden, £7560 ; Peter Price, £5470. The accounts are kept by single entry, and on 31st December, 1910, the surplus of assets over liabilities, after deducting partners' drawings, was £22,270. The amounts drawn by the partners during the year were :—Nero Nunns, £1840 ; Oliver Ogden, £920 ; Peter Price, £750. Profits and losses are divisible as follows :—Nero Nunns, $\frac{4}{10}$ ; Oliver Ogden, $\frac{3}{10}$ ; Peter Price, $\frac{3}{10}$. Make up accounts showing the shares of each partner in the surplus on 31st December, 1910, leaving interest out of account.

**Answer.**—*Share of Surplus, N.N.* £1328 ; *O.O.* £996 ; *P.P.* £996 ; *Capital, N.N.* £8918 ; *O.O.* £7636 ; *P.P.* £5716.

## Partnership Exercise 8.

Carl Quinn and Robert Ripley commence trading in partnership on 1st Jan., 1910. The Trial Balance on 30th June, 1910.

| | |
|---|---|
| **Dr. Balances—** | |
| Debtors | £8860 |
| Cash | [illegible] |
| Purchases | [illegible] |
| Wages & Salaries | [illegible] |
| Rents & Taxes | [illegible] |
| Furniture & Fittings, cost | 940 |
| Carl Quinn's Drawings | 450 |
| **Dr. Balances continued—** | |
| Robert Ripley's Drawings | £300 |
| General Expenses | 1272 |
| Discount Balances | 201 |
| **Cr. Balances—** | |
| Capital | 10000 |
| Sales | 22458 |
| Creditors, net | 5280 |

The Stock on 30th June, 1910, was £6192. Carl Quinn contributed £6000 of the capital and Robert Ripley £4000. Interest is to be allowed at the rate of 5% per annum on the capital, and profits and losses are divisible $\frac{3}{5}$ths to Carl Quinn and $\frac{2}{5}$ths to Robert Ripley. Prepare as on 30th June, 1910, Profit & Loss A/c., Balance Sheet and Capital A/cs., charging no interest on drawings, providing depreciation on Furniture & Fittings at the rate of 10% per annum, and reserving 5% for Doubtful Debts.

**Answer.**—*Net Profit* £732 ; *Cap., C.Q.* £6127 ; *R.R.* £4105 *Total of B/S.*, £15,512.

## Partnership Exercise 9.

The Balance Sheet of Benjamin Black, William White, George Green, and Robert Red, trading as Black & Co., stood as follows on 1st January, 1909 :—

| | | | |
|---|---|---|---|
| Sundry Creditors | £429 | Cash | £1872 |
| Capital, viz. :— | | Bills Receivable | 72 |
| Benjamin Black | 600 | Sundry Debtors | 1744 |
| William White | 1373 | Stock | 730 |
| George Green | 2004 | Stock on Consignment | 150 |
| Robert Red | 458 | Furniture | 296 |

During the year the Stock on Consignment was sold for £295, from which was deducted, before the draft was received, Commission at the rate of 8%. A second Consignment (unsold at the time of balancing) had been sent at a cost price of £200, the expenses paid thereon being £8. The Purchases for the year were £5974. Sales, exclusive of Consignment, were £10032. Stock, 31st December, £596. The Sundry Debtors discharged their a/cs., less £30 for Discount. The Bills of Exchange were met, without allowance for discount. All the Sundry Creditors were paid, the allowance for discount being £20. Of the new Creditors the amount due at the end of the year was £1099, but included in the amount discharged was £79 for Discount. The firm's acceptances for £246 had fallen due and were paid, except one for £46 carried forward. New Debtors had paid £7751, and £400 had been allowed to them for Discount, the Bad Debts amounting to £40. Other Debtors had given, and met in full, acceptances amounting to £300. The General Expenses paid were £854, there being £68 due and unpaid. The Furniture A/c. is to be depreciated at the rate of 5% per annum. Reserve 5% for Discount on Debtors' Balances and 1% on Creditors' Balances. On the 31st March, 30th June, 30th September, 31st December, Black and White withdrew £30 ; Green and Red, £40 ; these Drawings being subject to interest at 5% per annum. Credit Interest on Capital at 5% and divide the Profits as follows :—Benjamin Black $\frac{1}{3}$rd, William White $\frac{7}{24}$ths, George Green $\frac{5}{24}$ths, Robert Red $\frac{1}{8}$th. Prepare Trading, P. & L., Cap. A/cs., and B/S.

**Answer.**—*Net Profit* £2660 5 10 ; *Cap. B.B.* £1394 10 3 ; *W.W.* £2095 6 4 ; *G.G.* £2495 8 7 ; *R.R.* £761 5 8.

## Partnership Exercise 10.

On 1st January, 1910, Saville Smith, Titus Tate, Uriah Uttley, and Victor Venn (equal partners) had capitals respectively £8100, £7680, £6345, and £5985, bearing interest at 5%. Uriah Uttley died on 27th November, 1910, and by the deed he was entitled to share the year's net profits proportionately to the date of death. At the end of 1910 the Creditors stood at £345, the Debtors at £1479, Stock £9007, Freehold £15000, Cash £2034, Plant, &c., £4000, Vans, &c., £411. The profit for 1910 was £3476, before charging Interest on Capitals, and before reducing the plant and vans by 10% each and writing 4% off the Debtors. Also it is necessary to credit Uriah Uttley with Interest at 5% on his profits (but not on his one-fourth share of goodwill), from

date of death to end of year as well as upon his Capital for the whole year. At the end of that year a Goodwill A/c. was to be raised equal to a sum of one and five-eighths of that year's net profits (*i.e.*, before charging Uriah Uttley's profits or interest on same).

**Answer.**—*Net Profit* £1570 4 10; *Uttley's share of Profit* £364 9 7; *Interest thereon* £1 14 –; *Goodwill* £2551 12 8; *Cap. U.U.'s Exors.* £7666 6 9; *S.S.* £9544 5 3; *T.T.* £9103 5 3; *V.V.* £7323 10 3.

### Partnership Exercise 11.

Albert Ambler, Baron Butler, Cedric Carter, Dan Day, had, on 30th June, 1910, the following respective capitals to their credit, and the following respective shares of profits and losses; £2613, £954, £1172, £3721, and $\frac{7}{25}$ths, $\frac{4}{25}$ths, $\frac{6}{25}$ths, $\frac{8}{25}$ths. After having paid their creditors, the assets were sold and realised £2210. Cedric Carter brought in all that was due from him, but Baron Butler, however, could produce nothing from his private estate (that estate being in bankruptcy, and absolutely insolvent). Prepare Realisation, Cash and Capital A/cs.

**Answer.**—*Loss on Realisation,* £6250. *Butler's deficiency transferred to A.A.* £15 6 10; *C.C.* £8 16 2; *D.D.* £21 17 –.

### Partnership Exercise 12.

Arthur Ainley is in business as an auctioneer, and on 31st December, 1909, his assets are:—Debtors, £3700; Furniture & Fittings £480; Cash at Bank, £2450. His liabilities to Sundry Creditors amount to £750. As from that date a partnership is arranged with James Batley, under which Batley acquires the right to one-third of the future profits on the following conditions:—(1) Ainley is entitled to withdraw for his own use the sum of £2000; pending withdrawal, the amount is treated as a loan to the partnership. (2) The value of the Goodwill is fixed at the sum of £4500. (3) Batley is to pay into the concern, as his share of capital, the sum of £3000. Draft the opening Journal entries for the partnership books, and give the B/S. of the partnership at its commencement, after Batley has paid in his £3000.

**Answer.**—*Cap. A.A.* £8380; *J.B.* £3000; *Total of B/S.* £14130.

### Partnership Exercise 13.

John Gordon, Henry Harper, and Richard Avison are in partnership on the terms that Gordon receives out of profits a salary of £400 per annum, Harper £500, and Avison £600; and that the balance of profits, after payment of salaries, shall be divided as to the first £4000, $\frac{2}{3}$rds to Gordon, and $\frac{1}{3}$th each to Harper and Avison; and as to any excess above £4000 equally between the three partners. In consequence of illness, Gordon relinquishes his right to salary for the year 1909. The profits of that year, before charging salaries, amount to £6500; to what extent are Gordon, Harper, and Avison respectively affected by Gordon's concession?

**Answer.**—*Gordon loses* £266 13 4; *Harper gains* £133 6 8; *Avison gains* £133 6 8.

# TRADING & P. & L. ACCOUNTS.

**226.** A **TRADING** or **MANUFACTURING A/c.** partakes of the nature of a Profit & Loss A/c. in which the opening Stock and the more immediate or **direct cost** of **production** alone, and not of *distribution*, is summarised. The items to be thus **debited** to the Trading A/c. are brought from their respective a/cs. at the end of the period on balancing, and may consist of : (1) Opening Stock. (2) Purchases of raw materials or finished goods, or materials consumed in the process of manufacture, after deduction of Returns Outwards. (3) Packing materials, canvas, boxes, bags, cases, crates, straw, paper, string, labels, &c. (4) Carriage, cartage, transport, freight and shipping charges. Some accountants charge Carriage (Inwards) on Purchases to the Trading A/c., and Carriage (Outwards) on Sales to the P. & L. A/c. (5) Coal, Gold, or other Mining or Patent Royalties or Concessions Rents ; as well as the working costs of mining, developing, hauling, winning, milling, tramming, cyaniding, surface damages, &c. (6) Customs or Excise Duties. (7) Coal, coke, and other fuel ; when *extensively* used in the process of manufacture ; as in the production of earthenware, bricks, metal ware, &c., otherwise in the P. & L. A/c. (8) Manufacturing or productive Wages.

**227.** The **credit** side of a **Trading A/c.** only contains the Sales or Output, less Returns Inwards ; Commissions received, and closing Stocks. In some manufacturing concerns the *net* value of " Materials consumed " is given, thus indicating that the stock has been deducted from the materials purchased ; consequently the *stock* must *not* appear in the Trading A/c., only in the B/S. In gold mining only the gold produced must be credited to the Trading A/c. ; while gold ore in *stock*, not having been crushed, &c., and made saleable, must *not* be shown as a profit, being merely an asset. **Trade Discount** (if any) should appear in this

account, but Trade or General Expenses, by reason of their miscellaneous character, should be placed in the P. & L. A/c. A Trading A/c. is **balanced** like an ordinary Goods A/c., the stock of materials and manufactured goods being credited and the *difference*, which is either a **gross profit** or a **gross loss,** being carried down or transferred to the Profit & Loss A/c. The **working** or **distributive expenses** of the business must be debited to the Profit & Loss A/c., and any other income credited, the *difference* being a **net profit** or a **net loss.**

**228.** In establishments where there are **departments** n respect of which it is desirous to ascertain what profits they each realise, it will be necessary to keep separate Trading and P. & L. A/cs., and to apportion and debit against each department its share of the **Standing Expenses** or **Establishment Charges,** viz. :— Rent, taxes, insurance, depreciation, lighting, power, warehouse, and office salaries, *cash* discounts, &c. As in the case of a Trading A/c., these various items relating to the cost of *distribution* are, of course, only transferred from the subsidiary A/cs. to the P. & L. A/c. when balancing. The P. & L. A/c. has thus a momentary existence ; it is opened only to be immediately closed. Where **insurance** is paid in advance it is preferable to show it as a deduction on the Dr. side of the P. & L. A/c. when possible ; in other cases it must be entered on the Cr. side.

**229.** The **division** of the **Profit & Loss A/c.** into **two section** is usual in large businesses, the *first* section beingused for the establishment charges (which may be sub-divided into mill charges and warehouse and office charges), and the gross profit brought down from the Trading A/c. The *second* section of the P. & L. A/c. shows on the Cr. side the balance brought down from section one and any rents or dividends received ; and on the Dr. side such expenses as do not affect your trading, for instance, partners' salaries, interest on capital, income tax, &c., as well as the disposition or appropriation of the net profit. The **advantage** derived

from thus dividing and sub-dividing the Trading and P. & L. A/cs., is in being able to watch readily the **percentage** of **profit** and to **compare** the percentage earned during one period with that earned during another.

**230.** The **author** has prepared some printed and ruled **foolscap sheets** with a view to illustrate and facilitate the working of exercises, showing Trading and P. & L. A/cs. and B/S:, and will forward a complete set on receipt of 1/-. Address: *P.O. Box A.* 27, *Huddersfield.* These sheets are very useful for **business men** when preparing their own a/cs. at the periodical balancing.

**Dr.** **Sales A/c.** **Cr.**

| 1916 | | £ | 1916 | | £ |
|---|---|---|---|---|---|
| Dec. 31 | *To Transfer to Trading A/c.* | 96853 | Jan. 31 | By Sundries as per S.B. | 10306 |
| | | | Feb. 29 | ,, Ditto | 9489 |
| | | | Mar. 31 | ,, Ditto | 7523 |
| | | | April 30 | ,, Ditto | 6394 |
| | | | May 31 | ,, Ditto | 8468 |
| | | | June 30 | ,, Ditto | 9705 |
| | | | July 31 | ,, Ditto | 10104 |
| | | | Aug. 31 | ,, Ditto | 8967 |
| | | | Sept. 30 | ,, Ditto | 10032 |
| | | | Oct. 31 | ,, Ditto | 5907 |
| | | | Nov. 30 | ,, Ditto | 4460 |
| | | | Dec. 31 | ,, Ditto | 5498 |
| | £ | 96853 | | £ | 96853 |

**Dr.** **Trading A/c.** for the year ended 31st Dec., 1916. **Cr.**

| | £ | | £ |
|---|---|---|---|
| To **Stock** 1*st Jan.*, 1916. viz.:— | | By Sales ..... £96853 | |
| Materials in process..£17255 | | ,, *Less* Returns .... 3132 | 93721 |
| Finished Pieces ..... 16428 | | | |
| | 33683 | ,, Commission Work ..... | 365 |
| ,, Materials consumed ..... | 36969 | ,, **Stock**, 31*st Dec.*, 1916:— | |
| ,, Dyewares consumed ..... | 2399 | Materials in process £15264 | |
| ,, Chemicals, Soap, Size, Oil, &c. | 1608 | Finished Pieces .. 16938 | |
| ,, Outwork ..... | 5266 | | 32202 |
| ,, Packing Materials ..... | 225 | | |
| ,, Carriage & Freight ..... | 942 | | |
| ,, Manufacturing Wages ..... | 19816 | | |
| ,, **Gross Profit** *carried to Profit & Loss A/c.* | 25380 | | |
| | £ 126288 | | £ 126288 |

**Dr.** **Profit & Loss A/c.** **Cr.**

| | £ | | £ |
|---|---|---|---|
| **To Establishment Charges (Mill)—** | | By Gross Profit from Trading A/c | 25380 |
| Mill Managers' Salaries £1000 | | ,, Discount on Purchases | 727 |
| Mechanics', Joiners', and Plumbers' Wages 405 | | | |
| Watchmen's and Time-keepers' Wages 127 | | | |
| Coal and Motive Power 1996 | | | |
| Rents, Rates, Taxes, Gas & Insurance 3639 | | | |
| Mill Furnishings, Repairs, & renewals of Machinery 1602 | | | |
| Mill Building Repairs 174 | | | |
| Stables 140 | | | |
| Cards 484 | | | |
| Incidental Trade Expenses 268 | | | |
| Depreciation, Plant & Machinery 1380 | | | |
| | 11115 | | |
| ,, **Establishment Charges, (Warehouse and Office)—** | | | |
| Warehouse & Office Salaries 532 | | | |
| Travellers' Salaries & Exs. 1218 | | | |
| Rents, Rates, Taxes, Gas, & Insurance 363 | | | |
| Stables 114 | | | |
| Incidental Trade Expenses 209 | | | |
| Commission 319 | | | |
| Depreciation, Warehouse & Office Fittings 10 | | | |
| | 2756 | | |
| ,, **General Charges—** | | | |
| Bank Charges 259 | | | |
| Discount on Sales £1089 | | | |
| Reserve for Discount. 700 | | | |
| 1789 | | | |
| Bad Debts 79 | | | |
| Doubtful Debts R'serve 70 | | | |
| 149 | | | |
| | 2197 | | |
| *BALANCE carried down* | 10039 | | |
| | £26107 | | £26107 |
| To Partners' Salaries | £1500 | By Balance b/d | £10039 |
| ,, Interest on Loans and Capital | 2400 | ,, Dividends received | 300 |
| ,, Loss on Investments | 66 | ,, Rents received | 27 |
| ,, Income Tax | 200 | | |
| ,, Net Profit *for the year*, viz.:— | | | |
| John Carnegie, three-fourths £4650 | | | |
| Keir Hardie, one-fourth 1550 | | | |
| | 6200 | | |
| | £10366 | | £10366 |

**231. A BALANCE SHEET** is a statement showing in summary form the various **debit** and **credit balances** standing in the books at any given date (after collecting into the Trading and Profit & Loss A/cs. all balances

relating to Revenue), the items in the Balance Sheet being so grouped and classified as to show clearly the financial position of the concern at the date of the statement. It is compiled from the Trial Balance by arranging together only such items as represent Assets (Dr. balances) and Liabilities (Cr. balances), supplemented by Reserves, Unexpired Charges, and other sundry items for which adjustment has to be made, lists of the Debtors and Creditors having first been made and the total amounts of each being entered as *Sundry Debtors* and *Sundry Creditors*. A Balance Sheet must not only show whether the business is solvent or insolvent, and the amount of the Capital ; but also of what the Capital consists. Trading Capital or Assets is of two kinds—Fixed and Floating. The term *Capital* must not be considered as referring only to the excess of assets over liabilities. Capital includes the amount of credit a person is able to obtain on B/P., open a/cs., loans or mortgages. In the B/S. on page 280 the **Trading Capital** is £21633 7s. 4d., while the **Traders' or Proprietors' Capital** is only £11259 16s. 2d.

**232. Fixed Capital** or **Assets** is the property which you, as Capitalist, retain in your possession, and use in the carrying on and conduct of your business. For instance : land, buildings, plant, machinery, tools, fixtures, horses, carts, goodwill and permanent investments. While a horse used by a tradesman for ordinary business purposes would be fixed Capital, one in the hands of a Horse Dealer would become **Floating** or **Circulating Capital** or **Assets,** which consists of property a capitalist exchanges or deals in, *buys* and *sells*, in the ordinary way of business with the object of making profit. For example : Stock-in-Trade of every description, Money in whatever form, and book debts. Machinery in the hands of a Machine Broker, Land owned by an Estate Company, Shares held by an Investment Company, would all be Floating Assets. So far as they are available, Assets of this nature form the **Working Capital** of the business in which they are employed.

**233.** Items placed on the **Assets** side of the Balance Sheet may be further divided into the following four classes :—(**1**) **Realiable,** such as Cash and those Assets which may be realised either at short notice or within a reasonable time, including marketable securities, debts due to the business, shares in dividend-paying companies, Stock-in-Trade, Freehold and Leasehold Property, Loans on Mortgage, etc. (**2**) **Assets unrealisable** except as a going concern, such as Buildings erected for a special purpose, Fixtures and Fittings, Plant, and Shares in non-dividend-paying companies. **Assets** that are **Intangible,** some of them unrepresented by expenditure, and therefore largely **fictitious,** such as short Leases, unexpired Insurances, Rates, Taxes, &c., Trade Marks, Patents, Copyright, Goodwill, Development Expenditure, Preliminary Expenses. (**4**) **Losses,** such as a deficiency on the Profit & Loss A/c., or any special loss brought into the Balance Sheet.

**234.** In **preparing** a **Balance Sheet** the items must be **grouped, ranked,** or **marshalled** in a consistent manner. No definite rule can be laid down for marshalling the items beyond stating that there are two principal methods adopted in modern business. The **first method** is that in which the Assets are so arranged or marshalled according to their availability for the discharge of the Liabilities. That is, those Assets which may be readily realised come before those which are not so readily convertible into cash. The three items, Cash, Bills Receivable, and Investments—total £7462 1 11, shown in the Balance Sheet on page 280, would be called **Liquid Assets,** on account of the fact that they are *immediately* available or realisable for the payment of Liabilities. The **Liabilities** must be displayed in the order in which they would be required to be met, the Capital coming last. This arrangement of a Balance Sheet is generally adopted by **banks** and financial undertakings (see page 282), also by the smaller class of ordinary traders or firms.

**235.** The **second method** of **marshalling** the items is almost the reverse of the first method, the most unrealisable assets, such as Property, Fixtures, Machinery, being put first, and Bills Receivable, Investments,

and Cash last, as shown in the example on page 281. This method is the one adopted by some private businesses, and by most **Limited Companies,** whose Capital is generally stated first on the left-hand side of the B/S., followed by the various Liabilities. The **Nominal** or **Registered** or **Authorised Capital** is the maximum amount which a Limited Company has power to raise ; say, 50,000 shares of £1 each. **Issued** or **Subscribed Capital** is the amount offered and subscribed for, and consequently alloted in shares or stock to the shareholders ; say, £45,000 thus leaving £5,000 **Unissued Capital** to be issued at a later date, if necessary. The **Called-up Capital** is that portion of the Subscribed Capital which is necessary in order to carry on the business of the Company ; say, 10s. per share=£22,500. The **Paid-up Capital** is that part of the Called-up Capital which has actually been received in cash by the Company from the shareholders ; say, £22,400 : one shareholder having failed to pay the " call " made upon him.

236. The question now arises, does the following B/S. on page 280 show you to be free from financial embarrassments ? Yes. Why ? Because while your **Current Liabilities** (Sundry Creditors on B/P. and Open A/cs.), cannot possibly exceed £5373 11s. 2d., you have Liquid Assets to meet them amounting to £7462 1s. 11d. ; surplus £2088 10s. 9d. Had your Liquid Assets, however, only amounted to £500, even though your other assets had been correspondingly increased, your financial position would have been considered unsound, inasmuch as you would have been unable to meet readily the demands of your creditors. Such a B/S., while showing you to possess the same amount of capital, would nevertheless indicate what is known as **Overtrading,** which means purchasing beyond your capital ; or trading without adequate means actually at command.

237. If you had occasion to place the B/S. on page 280 before your **Banker** with the object of **negotiating a loan** you would find that in forming his estimate of your financial position, he would depreciate your **stock at**

least 10%, Plant, &c., 50%, Premises and Fittings, 75%, and totally disregard the Goodwill. Business premises are generally most difficult to dispose of when forced upon the market; Goods, Plant, Machinery and Fittings, when put under the hammer, are often sold at a great sacrifice, while Goodwill is generally unsaleable.

**238.** In **preparing** Trading, P. & L. A/cs., and B/S. from **exercises** it is advisable, first of all, to make a T.B., remembering *not* to include therein any of the various adjustment items, relative to reserves, depreciation, &c., which are generally given either at the beginning or the end of the exercise. When reserves and depreciations have to be provided be careful to show them both in the P. & L. A/c. and B/S. Where **depreciation** has been provided for in the a/cs. *before* the preparation of the T.B., it must be noted that the Real A/c. affected has been charged and that the *net* amount of the asset will appear among the Dr. balances of the T.B.; therefore if it is desired to show such depreciation in the B/S., it must first be *added* to the amount as shown in the T.B., and then deducted. Care must be taken not to charge *excessive* depreciation in respect of capital additions during the period under review; for instance, supposing Machinery A/c. stands on 1st January at £5000, and, during the following June, additional Machinery is purchased of the value of £500, the depreciation to be reckoned on the annual balancing in December (unless otherwise stated), would *not* be 10% on £5500 for twelve months, but would be 10% per annum on £5000=£500; plus 10% per annum on the £500=£25, the latter being for six months only.

**Dr.** **Machinery A/c.** **Cr.**

| 1916 | | £ | 1916 | | £ |
|---|---|---|---|---|---|
| Jan. 1 | To Balance .....b/f | 5000 | Dec. 31 | By Depreciation:— | |
| June 20 | ,, Cash for additions | 500 | | 10% on £5000 £500 | |
| | | | | 10% on £500 £25 | 525 |
| | | | ,, ,, | ,, *Balance* ..... c/d | 4975 |
| | | £5500 | | | £5500 |
| 1917 | | | | | |
| Jan. 1 | To Balance .....b/d | 4975 | | | |

# BALANCE SHEET of Messrs. Solvent & Capital on 31st December 1916.

| LIABILITIES. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| **Sundry Creditors**, viz.:— | | | | | | |
| On Mortgage of Freehold Premises | | | | 3000 | - | - |
| Interest thereon | | | | | | |
| Bank Overdraft | | | | | | |
| On Loan, Arthur Swift | | | | 2000 | - | - |
| On Bills Payable (as per List) | | | | 3005 | 2 | 6 |
| On Open A/cs. (as per List) | 2493 | 1 | 8 | | | |
| *Less* Reserve for Discount | 124 | 13 | - | | | |
| | | | | 2368 | 8 | 8 |
| **Capital**, viz.:— | £ | s. | d. | | | |
| Alfred Solvent, 1st Jan. | 5000 | - | - | | | |
| *Add* Interest on Capital | 250 | - | - | | | |
| *Add* ½ Share of Profits | 2940 | 3 | 4 | | | |
| | 8190 | 3 | 4 | | | |
| *Less* Drawings £1270 3 6 | | | | | | |
| " Interest 45 - - | | | | | | |
| | 1315 | 3 | 6 | | | |
| | | | | 6874 | 19 | 10 |
| John Capital, 1st Jan. | 2500 | - | - | | | |
| *Add* Interest on Capital | 125 | - | - | | | |
| *Add* ½ Share of Profits | 2940 | 3 | 4 | | | |
| | 5565 | 3 | 4 | | | |
| *Less* Drawings £1150 - - | | | | | | |
| " Interest 30 7 - | | | | | | |
| | 1180 | 7 | - | | | |
| | | | | 4384 | 16 | 4 |
| | | | | £ 11259 | 16 | 2 |

*Contingent Liability on B/R. discounted and not matured* £1169 7s. 6d.

| ASSETS. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| Cash at Bank | 2305 | 9 | 6 | | | |
| " at Office | 15 | - | - | | | |
| | | | | 2320 | 9 | 6 |
| **Investments** (as per List) | | | | 1725 | 5 | 8 |
| **Sundry Debtors** (as per List), viz.:— | | | | | | |
| On Bills Receivable | | | | 3416 | 6 | 9 |
| On Open Accounts £1750 - | | | | | | |
| *Less* Doubtful Debts Reserve 87 10 | | | | | | |
| | 1662 | 10 | - | | | |
| *Less* Reserve or Discount | 83 | 2 | 6 | | | |
| | | | | 1579 | 7 | 6 |
| **Stocks** (as per Stock Book), viz.:— | | | | | | |
| Materials in process | 896 | 10 | - | | | |
| Finished Goods | 1340 | 9 | 8 | | | |
| Material | 762 | 4 | 6 | | | |
| Sundry Stores | 169 | 7 | 9 | | | |
| Goods on Consignment | 326 | 5 | 6 | | | |
| | | | | 3494 | 17 | 5 |
| **Plant & Machinery.** | | | | | | |
| On 1st January, 1916 £2000 | | | | | | |
| *Add* Additions 200 | | | | | | |
| | 2200 | - | - | | | |
| *Less* 10 per cent. Depreciation | 220 | - | - | | | |
| | | | | 1980 | - | - |
| **Horses, Carts, & Rolling Stock.** | | | | | | |
| On 1st January, 1916 | 214 | 10 | 6 | | | |
| *Less* Depreciation | 20 | - | - | | | |
| | | | | 194 | 10 | 6 |
| **Freehold Premises.** | | | | 6000 | - | - |
| **Warehouse & Office Fittings & Furniture,** | | | | | | |
| 1st January, 1916 | 150 | - | - | | | |
| *Less* 5 per cent. Depreciation | 7 | 10 | - | | | |
| | | | | 142 | 10 | - |
| **Goodwill** on 1st January, 1916 | 1000 | - | - | | | |
| *Less* 25 per cent. Depreciation | 250 | - | - | | | |
| | | | | 750 | - | - |
| **Insurance** prepaid | | | | 30 | - | - |
| | | | | £ 21633 | 7 | 4 |

# DAVY BROTHERS, Limited, SHEFFIELD. Balance Sheet on 30th April, 1916.

## CAPITAL AND LIABILITIES.

| | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| CAPITAL AUTHORISED— | | | | | | |
| 3000 Ordinary Shares of £35 each nominal value | | | | 105000 | | |
| 60000 Five per cent. Cumulative Preference Shares of £1 each nominal value | | | | 60000 | | |
| | | | | £165000 | | |
| CAPITAL ISSUED— | | | | | | |
| 3000 Ordinary Shares on each of which £30 has been paid | | | £90000 | | | |
| 32216 Preference Shares on each of which 20/- has been paid | | | 32216 | | | |
| | | | | 122216 | - | - |
| Debentures | | | | 30000 | - | - |
| Mortgage | | | | 6400 | - | - |
| Sundry Creditors | | | | 14013 | 9 | 11 |
| PROFIT & LOSS ACCOUNT— | | | | | | |
| Balance as per last Balance Sheet ... | | £13410 | 18 9 | | | |
| *Less* Dividend July, 1915 | £5280 8 - | | | | | |
| Appropriated to Plant and Machinery ... | 7500 - - | 12730 | 8 - | | | |
| Balance brought forward | | | £580 | 10 9 | | |
| *Add*, Gross Profit for year ended 30th April, 1916 | | 10760 | 7 3 | | | |
| *Less* Interest on Mortgage and other Loans | 1594 4 10 | | | | | |
| Depreciation | 1991 16 4 | 3586 | 1 2 | 7174 | 6 1 | |
| *Less* Interim Dividend on Preference Shares paid 1st Feb., 1916 | | | | 7854 | 16 10 | |
| | | | | 730 | 8 - | 7124 8 10 |
| | | | | | £ | 179753 18 9 |

## ASSETS.

| | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Land (Freehold) & Buildings, Fixed Plant & Machinery— | | | | | | |
| As per last Balance Sheet | £100394 | 7 10 | | | | |
| *Less* Appropriation from Profit & Loss Account, 1915 | 7500 | - - | | | | |
| | 100894 | 7 10 | | | | |
| Additions to Plant during the year | 8240 | 12 1 | | | | |
| | 109134 | 19 11 | | | | |
| *Less* Depreciation | 1400 | - - | | 107734 | 19 | 11 |
| Loose Plant & Tools, Patterns, &c.— | | | | | | |
| As per last Balance Sheet | 27787 | 2 3 | | | | |
| Added during the year | 104 | 16 4 | | | | |
| | 27891 | 18 7 | | | | |
| *Less* Depreciation | 591 | 16 4 | | 27300 | 2 | 3 |
| Patents & Patent Rights | | | | 1000 | - | - |
| Stock-in-Trade | 10739 | 7 3 | | | | |
| Work in Progress | 7679 1 4 | | | | | |
| *Less* Instalments received in respect of same | 1500 - - | 6179 | 1 4 | 16918 | 8 | 7 |
| Sundry Debtors— | | | | | | |
| *Less* Reserve for Bad Debts and Allowances | | | | 26635 | 8 | - |
| Cash in hand | | | | 165 | - | - |
| | | | £ | 179753 | 18 | 9 |

## Balance Sheet of the London County Banking Company, Limited, 31st December, 1916.

| LIABILITIES. | £ | £ | ASSETS. | £ | £ |
|---|---|---|---|---|---|
| Capital subscribed £8000000 paid up | | 2000000 | Cash in hand and at Bank of England | £8274042 | |
| Reserve Fund | | 1550000 | Loans at call and short notice | 2829890 | 11103932 |
| Current and Deposit A/cs., with Interest accrued, circular notes, &c. | | 44474574 | Investments, viz.:— | | |
| Acceptances | | 1564638 | Consols and other British Securities (of which £370650 Consols is lodged for Public Accounts) | 7204905 | |
| Rebate on bills not due carried to next A/c. | | 31803 | India Government Stock, Guaranteed Railway Stocks and Debentures | 1088632 | |
| Net Profit for the half-year, after making provision for doubtful debts | £291905 | | Metropolitan and other Corporation Stocks, Railway Debentures and Colonial Bonds | 1917827 | |
| Transferred to premises account | 25000 | | Other Securities | 6716 | 10213080 |
| | 266905 | | | | |
| Carried to Reserve Fund | 50000 | | Discounted Bills of Exchange current | 7590062 | |
| | 216905 | | Advances to Customers | 18901478 | 26491540 |
| P/L. balance b/f. from last a/c | 89957 | 306862 | Liabilities of Customers for Acceptances as per contra | | 1564638 |
| | | | Bank Premises in London and country | 579687 | |
| | | | *Less* amount transferred from P. & L. A/c. | 25000 | 554687 |
| | £ | 49927877 | | £ | 49927877 |

## Dr. Profit & Loss A/c. for the half-year ending 31st December, 1916. Cr.

| | £ | £ | | £ |
|---|---|---|---|---|
| To Interest paid to Customers | | 135466 | By Balance b/f. from last a/c | 89957 |
| „ Salaries and all other expenses including income tax on profits and salaries, auditors' and directors' remuneration | | 295760 | „ Gross Profit for the half-year, after making provision for doubtful debts and including rebate £27281 17s. 6d., brought from 30th June last | 754934 |
| „ Rebate on bills not due, carried to new a/c. | | 31803 | | |
| „ Transferred to Premises A/c. | | 25000 | | |
| „ Carried to Reserve Fund | | 50000 | | |
| „ Dividend 10% for the half-year | £200000 | | | |
| „ Bonus 1% | 20000 | | | |
| „ Balance carried forward | 86862 | 306862 | | |
| | £ | 844891 | £ | 844891 |

**239. ERRORS, their Discovery and Rectification.** If the **totals** of the **Trial Balance** should disagree you must first of all carefully recast them in order to satisfy yourself that the error is not in the totalling. Then compare each item in the T.B. with the respective totals or balances, some of which you may have omitted to carry to the T.B., or placed in the wrong column thereof, or it may be that some of the totals or balances are themselves incorrect. If still undiscovered ascertain the *difference* existing, and look carefully through the Journal for that amount, or the half of it, and if detected, confirm it by reference to the Ledger posting. If your search proves unsuccessful you must then check each posting until the error be found. You may have omitted to post an item, or have transposed or misplaced the figures, *i.e.*, £1 18 4 as £11 8 4. The value of stock must never be credited before the T.B. is arranged, as it would create a disagreement between the two columns. The T.B. will not reveal such errors as (*a*) posting an amount to the *wrong A/c.* (*b*) omitting to post *two* equal sums to both sides of the Ledger.

**240 ERRORS in JOURNALISING,** if discovered before posting, may be ruled through, and a fresh entry made. Should, however, an incorrect entry have been posted, it will be necessary to make a compensating entry in the Journal to remedy the defect. The following are a few examples of errors, each followed by its rectifying Journal entry :—

1. "E. Bate Dr. to A. Field, £50," instead of £150.
   *E. Bate Dr. to A. Field*, £100.
2. "Bank Dr. to I. Kay, £300," instead of J. Kay.
   *I. Kay Dr to J. Kay*, £300.
3. "T. Smith Dr. to Goods £20," instead of Bank Dr. to Goods. *Bank Dr. To T. Smith*, £20.
4. "Cash Dr. to Bank, £100," instead of Bank Dr. to Cash. *Bank Dr. To Cash*, £200.
5. "Cloth Dr. to A. Cook, £50," instead of Cloth Dr. £150, to Cook & Co., £50, and A. Cook, £100.
   *Cloth Dr.* £100, *To Cook & Co.*, £50, *and A Cook*, £50.
6. "B. Gott, Dr. to Bank, £35," instead of Bank Dr. to B. Gott, £3 5s. –. *Bank Dr. To B. Gott*, £38 5 –.
7. "Brook Bros., Dr. to Goods, £380," instead of Brook Bros., £300 and Brooks & Co., £80 Dr. to Goods. *Brooks & Co., Dr. To Brook Bros.*, £80.

**241. ERRORS in POSTING** must be rectified by transfer entries which must be passed through the Journal. The compensating Journal entry is given after each of the following examples of mis-postings.

1. Posted £50 to the Cr. side of A. Hart's a/c. instead of the Cr. side of T. Sterne's a/c. *A. Hart Dr. To T. Sterne*, £50.
2. Posted £10 to the Cr. side of Goods a/c., and the Dr. side of F. Day's a/c., instead of the Dr. side of Goods a/c. and Cr. side of F. Day's a/c. *Goods Dr. to F. Day*, £20.
3. Posted T. Flint Dr. to Bank £50 to both a/cs., instead of £56. *T. Flint Dr. To Bank*, £6.

**242. LEDGERS** being for **posting only** from the *Books of Original Entry*, no entry must be made therein without having been first entered either in the Cash or one of the subsidiary books. When this rule is violated the original entry in the Ledger is known as a "Blind Entry." In extensive concerns it is found necessary to keep the Ledgers in parts or sections on account of the impossibility for one Book-keeper to post all the transactions, and the inconvenience that would arise from having to handle an otherwise large and cumbrous book. Ledgers are primarily divided into three :—**(1) Credit** or **Purchases Ledger ; (2) Debit** or **Sales** or **Cutomers' Ledger ; (3) Impersonal** or **General Ledger.** In very large establishments the first two are further divided into London and Country, Home and Foreign, and District or Travellers' Ledgers, each one being kept by a different Book-keeper, who makes out his own Statements, and checks those coming in from other firms relating to his own department. The Debtors' and Creditors' Ledgers are, of course, posted daily. The Impersonal or General Ledger is for recording all a/cs. except personal a/cs. and cash or bank, and is often kept by a member of the firm, the postings being made monthly. The **Impersonal Ledger** may be divided into two books—**General** and **Private**—the former containing all the subsidiary P. & L. A/cs. and the latter being reserved for the Capital, Trading, P. & L. A/cs. and B/S. only. In the case of **Banks,** the a/cs. of the customers are contained in a large number of Ledgers, each of which is allotted to one or more letters of the alphabet, *e. g.* :—A to C ; D to G ; H to L ; M to O ; P to S ; T to Z.

**243.** When **SECTIONAL LEDGERS** are thus employed they should be made **Self-balancing,** *i.e.*, balance in themselves without the aid of any other book; contain within themselves a complete T.B. The special **advantages** of Self-Balancing Ledgers are in reducing the risk of compensating errors remaining undetected; in being able to localise errors to any one particular Ledger, in helping to prevent or detect fraud on the part of one of the Book-keepers; in other words, to verify the accuracy of each Ledger separately. The Purchases and Sales Ledgers, which always contain the greater number of accounts, should be balanced separately at least once every month, so as to avoid having to check a large number of postings in case of an error. **Exercise 28,** pages 124-6, is taken for the purpose of illustrating this subject. The Journal, Purchases, Sales, and Cash Books require to be entered in the usual way, plus *three extra cash columns* in the Journal and on each side of the Cash Book, headed "Purchases Ledger," "Sales Ledger," "General Ledger," although some Book-keepers might prefer to dissect or *summarise* the various entries similar to the Sales Book on page 92, and thus dispense with the extra columns suggested. **Post** the following accounts to the **Purchases Ledger;** J. Morrison & Sons, Robertson & Cooper, D. Byer & Sons, Glasgow Aniline Co., Rennie & Sons, A. Millar; to the **Sales Ledger:** Leslie & Co., Gordon & Jackson, Macdonald & Co., Borthwick & Stewart, Baird & Sons, Henderson & Linton, Boyd & Nesbit; the remainder of the accounts to the **General Ledger.**

**244.** If each Ledger is kept separately it follows that, in order to carry out the principle of double entry, certain Adjustment, or Reconciliation, or Balance A/cs. must be kept; for instance, all the items in the Purchases Book have been posted to the Cr. side of the personal a/cs. in the Purchases Ledger, and in order to complete the double entry the *total* of these purchases must be debited to an *Adjustment A/c.* in that Ledger and credited to the *Purchases Ledger Adjustment A/c.* in the General Ledger. This shows that for every item posted in the Departmental Ledgers there must be

posted a contra or opposite entry to an Adjustment A/c., these items being entered in totals for convenience. Thus every Ledger is made self-balancing by each Departmental Ledger containing a *General Ledger Adjustment A/c.*, and the General Ledger having an *Adjustment A/c.* for each Departmental Ledger.

**245.** In the **Purchases Ledger** open an account headed *General Ledger Adjustment A/c.*, and post to the **Dr.** side from the Purchases Ledger Column of the Journal the total of the opening entries, £1118 6 6, also the £18 5 9 for Stationery. The next items to be debited are the **totals** of the **Purchases Book ;** Dyewoods £381 5 - ; Colours £641 16 8. The Adjustment A/c. must now be *credited* with the **total** of the Purchases Ledger Column on the **Cr.** side of the **Cash Book** (including discount), £952 – 4. If there had been any goods returned or Bills accepted, the totals thereof would also have needed crediting. The **difference** between the two sides of this a/c. is £1207 13 7, which is the total of the balances of the Purchases Ledger, and agrees with the balance of the *Purchases Ledger Adjustment A/c.* in the General Ledger. As there is always a greater value of *credit* than debit balances in the Purchases Ledger, it follows that the Adjustment A/c. will always show a *debit* balance.

**Dr.** **General Ledger Adjustment A/c.** **Cr.**

| 1908 | | £ | s. | d. | 1908 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Credit of Purchases Ledger... | 1118 | 6 | 6 | Jan. 31 | By Cash Book total of Cr. entries ... | 921 | - | - |
| „ 19 | „ Journal (Stationery)..... | 18 | 5 | 9 | | „ Discount ..... | 31 | - | 4 |
| „ 31 | „ Sundries, per Purchases Book— | | | | | „ Returns Book ... | - | - | - |
| | Dyewoods ... | 381 | 5 | - | | „ Bills Payable ... | - | - | - |
| | Colours..... | 641 | 16 | 8 | | „ *Balance c/d* ..... | 1207 | 13 | 7 |
| | | £ 2159 | 13 | 11 | | | £ 2159 | 13 | 11 |
| Feb. 1 | To Balance b/d ..... | 1207 | 13 | 7 | | | | | |

**246.** In the **Sales Ledger** open an account headed *General Ledger Adjustment Ac.* and post to the **Cr.** side from the Sales Ledger Column of the Journal the total of the opening entries, £639 10 7, and *debit* the Bad Debt of £8 18 2. The next items to be credited are the **totals** of the **Sales Book :** Dyewoods £700 5 1,

Colours £1666 16 1. This Adjustment A/c. must now be *debited* with the **total** (less discount) of the Sales Ledger Column on the **Dr.** side of the **Cash Book** £999 3 4; also Discount £19 16 3. If there had been any goods returned or Bills received the totals thereof would have needed debiting. The **difference** between the two sides of this a/c. is £1978.14 –, which is the total of the balances of the Sales Ledger, and agrees with the balance of the *Sales Ledger Adjustment A/c.* in the General Ledger. As there is always a greater value of *debit* than credit balances in the Sales Ledger it follows that the Adjustment A/c. will always show a *credit* balance.

**Dr.** **General Ledger Adjustment A/c.** **Cr.**

| 1908 | | £ | s. | d. | 1908 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 31 | To Journal (Bad Debt) | 8 | 18 | 2 | Jan. 1 | By Debit of Sales Ledger b/f. | 639 | 10 | 7 |
| " " | " Cash Book total of Dr. entries | 999 | 3 | 4 | " 31 | " Sundries per Sales Book— | | | |
| " " | " Discount | 19 | 16 | 3 | | Dyewoods | 700 | 5 | 1 |
| " " | " Returns Book | - | - | - | | Colours | 1666 | 16 | 1 |
| " " | " Bills Receivable | - | - | - | | | | | |
| " " | " *Balance c/d.* | 1978 | 14 | - | | | | | |
| | £ | 3006 | 11 | 9 | | £ | 3006 | 11 | 9 |
| | | | | | Feb. 1 | By Balance b/d. | 1978 | 14 | - |

In the **General Ledger** open the two following a/cs.:

**Dr.** **Purchases Ledger Adjustment A/c.** **Cr.**

| 1908 | | £ | s. | d. | 1908 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 31 | To Cash Book | 921 | - | - | Jan. 1 | By Cr. of Purchases Ledger b/f. | 1118 | 6 | 6 |
| " " | " Discount | 31 | - | 4 | " 19 | " Journal (Staty.) | 18 | 5 | 9 |
| " " | " Returns Book | - | - | - | " 31 | " Sundries P/B.— | | | |
| " " | " Bills Payable | - | - | - | | Dyewoods | 881 | 5 | - |
| " " | " *Balance c/d.* | 1207 | 13 | 7 | | Colours | 641 | 16 | 8 |
| | £ | 2159 | 13 | 11 | | £ | 2159 | 13 | 11 |
| | | | | | Feb. 1 | By Balance b/d. | 1207 | 13 | 7 |

**Dr.** **Sales Ledger Adjustment A/c.** **Cr.**

| 1908 | | £ | s. | d. | 1908 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Debit of Sales Ledger b/f. | 639 | 10 | 7 | Jan. 31 | By Journal (Bad Debt) | 8 | 18 | 2 |
| " 31 | " Sundries per S/B. | | | | " " | " Cash Book | 999 | 3 | 4 |
| | Dyewoods | 700 | 5 | 1 | " " | " Discount | 19 | 16 | 3 |
| | Colours | 1666 | 16 | 1 | " " | " Returns Book | - | - | - |
| | | | | | " " | " Bills Receivable | - | - | - |
| | | | | | " " | " *Balance c/d.* | 1978 | 14 | - |
| | £ | 3006 | 11 | 9 | | £ | 3006 | 11 | 9 |
| Feb. 1 | To Balance b/d. | 1978 | 14 | - | | | | | |

**247.** From the above it will be seen that the Adjustment A/cs. in the Purchases and Sales Ledgers are identical with their respective Adjustment A/cs. in the General Ledger, except that the debits in one are credits in the other, and *vice-versa*. Therefore, if the balances of these two a/cs. agree, the postings should be correct. The adjustment entries should, of course, be made through the Journal, similar to the following :—

**On Proving Purchases Ledger.** Ex. 28.

| | | Dn. | | | Cr. | | |
|---|---|---|---|---|---|---|---|
| 1908 | | £ | s. | d. | £ | s. | d. |
| Jan. 1 | General Led. Adj. A/c.....Dr. | 1118 | 6 | 6 | | | |
| | To Purchases Led. Adj. A/c.. | | | | 1118 | 6 | 6 |
| | (Being Cr. Balances at commencement of month). | | | | | | |
| ,, 19 | General Ledger Adj. A/c.....Dr. | 18 | 5 | 9 | | | |
| | To Purchases Led. Adj. A/c.. | | | | 18 | 5 | 9 |
| | (Being Purchase of Staty. from J.) | | | | | | |
| ,, 31 | General Ledger Adj. A/c.....Dr. | 1023 | 1 | 8 | | | |
| | To Purchases Led. Adj. A/c.. | | | | 1023 | 1 | 8 |
| | (Being Purchases for month). | | | | | | |
| ,, 31 | Purchases Led. Adj. A/c. .....Dr. | 921 | - | - | | | |
| | To General Led. Adj. A/c.... | | | | 921 | - | - |
| | (Being Cash paid during month). | | | | | | |
| ,, 31 | Purchases Led. Adj. A/c. .....Dr. | 31 | - | 4 | | | |
| | To General Led. Adj. A/c.... | | | | 31 | - | 4 |
| | (Being Dis. allowed on payments). | | | | | | |

**On Proving Sales Ledger.** Ex. 28.

| | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| 1908 | | | | | | | |
| Jan. 1 | Sales Led. Adj. A/c. .....Dr. | 639 | 10 | 7 | | | |
| | To General Led. Adj. A/c.... | | | | 639 | 10 | 7 |
| | (Being Dr. Balances at commencement of month). | | | | | | |
| ,, 31 | General Led. Adj. A/c. .....Dr. | 8 | 18 | 2 | | | |
| | To Sales Led. Adj. A/c..... | | | | 8 | 18 | 2 |
| | (Being Bad Debt from Journal). | | | | | | |
| ,, 31 | Sales Led. Adj. A/c. .....Dr. | 2367 | 1 | 2 | | | |
| | To General Led. Adj. A/c.... | | | | 2367 | 1 | 2 |
| | (Being Sales for month). | | | | | | |
| ,, 31 | General Led. Adj. A/c. .....Dr. | 999 | 3 | 4 | | | |
| | To Sales Led. Adj. A/c..... | | | | 999 | 3 | 4 |
| | (Being Cash received during month) | | | | | | |
| ,, 31 | General Led. Adj. A/c.....Dr. | 19 | 16 | 3 | | | |
| | To Sales Led. Adj. A/c..... | | | | 19 | 16 | 3 |
| | (Being Discount allowed on receipts) | | | | | | |

**Exercise 28** (pages 124–6).

| Purchases Ledger Trial Balance. | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|
| Morrison & Sons | | | | 78 | 5 | – |
| Robertson & Cooper | | | | 505 | 14 | 5 |
| Byer & Sons | | | | 387 | 18 | 6 |
| Glasgow Aniline Co. | | | | 235 | 15 | 8 |
| Rennie & Sons | | | | | | |
| Alexander Millar | | | | | | |
| General Ledger Adjustment A/c. | 1207 | 13 | 7 | | | |
| | £1207 | 13 | 7 | £1207 | 13 | 7 |

| Sales Ledger Trial Balance. | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|
| Leslie & Co. | 454 | 8 | – | | | |
| Gordon & Jackson | 703 | 16 | 4 | | | |
| Macdonald & Co. | 145 | 5 | – | | | |
| Borthwick & Stewart | | | | | | |
| Baird & Sons | 261 | 1 | 2 | | | |
| Henderson & Linton | 414 | 3 | 6 | | | |
| Boyd & Nesbit | | | | | | |
| General Ledger Adjustment A/c. | | | | 1978 | 14 | – |
| | £1978 | 14 | – | £1978 | 14 | – |

| General Ledger Trial Balance. | Dr. £ | s. | d. | Cr. £ | s. | d. |
|---|---|---|---|---|---|---|
| Robert Inglis, Capital A/c. | | | | 1330 | 6 | 6 |
| Robert Inglis, Drawings A/c. | 35 | – | – | | | |
| Wilson Glennie, Capital A/c. | | | | 1425 | 19 | 5 |
| Wilson Glennie, Drawings A/c. | 20 | – | – | | | |
| Dyewoods A/c. | 761 | 18 | 4 | | | |
| Colours A/c. | 261 | 7 | 4 | | | |
| Office Furniture A/c. | 106 | 10 | – | | | |
| Horses, Waggons, &c., A/c. | 180 | – | – | | | |
| Wages A/c. | 33 | 17 | 8 | | | |
| Carriage A/c. | 8 | 5 | 6 | | | |
| Trade Expenses A/c. | 69 | 14 | 3 | | | |
| Bad Debts A/c. | 8 | 18 | 2 | | | |
| Purchases Ledger Adjustment A/c. | | | | 1207 | 13 | 7 |
| Sales Ledger Adjustment A/c. | 1978 | 14 | – | | | |
| Cash A/c. | 28 | 6 | 4 | | | |
| Bank A/c. | 482 | 12 | – | | | |
| Discount A/c. | | | | 11 | 4 | 1 |
| | £3975 | 3 | 7 | £3975 | 3 | 7 |

**248.** There is, perhaps, nothing in the work of the book-keeper, particularly in a large business, which is

**Dr.** **CASH BOOK.** **Exercise 28** (pages 124-6).

| | RECEIPTS. | Led. Fo. | Purchases Ledger. | Sales Ledger. | General Ledger. | Discount. | Office. | Bank. |
|---|---|---|---|---|---|---|---|---|
| | | | | £ s. d. | | £ s. d. | £ s. d. | £ s. d. |
| 1908 | | | | | | | | |
| Jan. 1 | To Balance | b/f | | | | | 87 16 8 | 500 - - |
| ,, 6 | ,, Gordon & Jackson | | | 84 16 5 | | 2 2 5 | 82 14 - | |
| ,, 7 | ,, Office | | | | | | | 160 - - |
| ,, 12 | ,, Bank | | | | | | 40 - - | |
| ,, 20 | ,, Les ie & Co. | | | 138 4 6 | | 3 9 6 | | 134 15 - |
| ,, 21 | ,, Macdonald & Co. | | | 216 9 8 | | 5 8 8 | 211 1 - | |
| ,, ,, | ,, Borthwick & Stewart | | | 101 12 3 | | 2 10 3 | 99 2 - | |
| ,, 22 | ,, Baird & Sons | | | 117 15 5 | | 2 18 5 | 114 17 - | |
| ,, ,, | ,, Bank | | | | | | 30 - - | |
| ,, ,, | ,, Henderson & Linton | | | 133 7 - | | 3 7 - | 130 - - | |
| ,, ,, | ,, Office | | | | | | | 555 - - |
| ,, 26 | ,, Boyd & Nesbit | | | 200 - - | | | | 200 - - |
| ,, 31 | ,, Boyd & Nesbit | | | 26 14 4 | | | 26 14 4 | |
| | | | For receipt of Cash paid in excess to Creditor. | | For receipt of Capital or Discounted B/E. | | | |
| | | | | £1018 19 7 | | £19 16 2 | £822 5 - | £1549 15 - |
| Feb. 1 | To Balances | b/d | | | | | 28 6 4 | 482 12 - |

| | PAYMENTS. | Led. Fo. | Purchases Ledger. £ s. d. | Sales Ledger. | General Ledger. £ s. d. | Discount. £ s. d. | Office. £ s. d. | Bank. £ s. d. |
|---|---|---|---|---|---|---|---|---|
| 1908 | | | | | | | | |
| Jan. 5 | By Rennie & Sons | | 100 - - | | | | | 100 - - |
| ,, 7 | ,, Bank | | | | | | 160 - - | |
| ,, 8 | ,, Office Furniture A/c. | | | | 6 10 - | | 6 10 - | |
| ,, 10 | ,, Robertson & Cooper | | 220 - - | | | 20 - - | | 200 - - |
| ,, 12 | ,, Office | | | | | | | 40 - - |
| ,, 13 | ,, Wages A/c. | | | | 11 12 - | | 11 12 - | |
| ,, 15 | ,, Rennie & Sons | | 281 5 - | | | | | 281 5 - |
| ,, ,, | ,, Horse Corn | | | | 3 8 6 | | 3 8 6 | |
| ,, 18 | ,, Carriage A/c. | | | | 8 5 6 | | 8 5 6 | |
| ,, ,, | ,, Glasgow Aniline Co. | | 153 16 9 | | | 7 13 9 | | 146 3 - |
| ,, 20 | ,, Robert Inglis (Drawings A/c.) | | | | 15 - - | | 15 - - | |
| ,, 21 | ,, Repairs | | | | 3 8 6 | | 3 8 6 | |
| ,, ,, | ,, Morrison & Sons | | 178 12 10 | | | 2 9 10 | | 176 3 - |
| ,, 22 | ,, Office | | | | | | | 30 - - |
| ,, ,, | ,, Repairs | | | | 6 18 6 | | 6 18 6 | |
| ,, ,, | ,, Bank | | | | | | 555 - - | |
| ,, 24 | ,, Wages A/c. | | | | 22 5 8 | | 22 5 8 | |
| ,, ,, | ,, Rent | | | | 25 - - | | | 25 - - |
| ,, 25 | ,, Wilson Glennie (Drawings A/c.) | | | | 20 - - | | | 20 - - |
| ,, ,, | ,, Alexander Millar | | 18 5 9 | | | - 16 9 | | 17 9 - |
| ,, 28 | ,, Insurance | | | | 1 10 - | | 1 10 - | |
| ,, 29 | ,, Robert Inglis (Drawings A/c.) | | | | 20 - - | | | 20 - - |
| ,, 31 | ,, Trade Expenses A/c. | | | | 11 3 - | | | 11 3 - |
| ,, ,, | ,, *Balances* | *c/d* | | | | | 28 6 4 | 482 12 - |
| | | | £952 - 4 | | £155 1 8 | £31 - 4 | £822 5 - | £1549 15 - |

For Payment of Cash received in excess to Debtor.

more tedious and laborious and causes such a waste of time as the periodical transfer of accounts from a full into a **new Ledger.** His attempt to allocate to each account the number of pages it is *expected* it will occupy is always more or less futile ; reference to the index will generally show that a large number of the accounts have been moved into several different positions, thus making the allocation of an account by its folio somewhat difficult. With the view of avoiding this periodical transference of accounts and of economising generally in this matter, there are now being introduced what are known as **Perpetual Ledgers,** which consist either of (1) **loose leaves** bound together in the form of an ordinary book-wise letter-file, where a punched leaf may be inserted or extracted at will ; or (2) **loose cards** kept in a drawer or tray, into which the cards are fastened by means of a rod passing through a slot in the bottom of the card. Both systems admit either of the alphabetical or numerical arrangement of the sheets and cards, or a combination of the two ; and the advantages afforded by the adoption of either system may be stated as follows :—(1) Opening of new Ledgers dispensed with. (2) The position of an account *never changes.* (3) No blank leaves or cards. (4) The removal of " dead " or closed accounts and full sheets or cards to the " Closed A/c." division of the file. (5) The handling of " live " or current accounts only. (6) The greater facility with which the monthly Statements may be prepared. (7) Greater facility for auditing.

**249.** All Ledgers are **Indexed,** the method adopted varying with the extent and character of the business. In small offices an ordinary alphabetical index is used ; in a larger office each letter of the alphabet is treated in **vowel order,** *i.e.*, the names are entered in one of six columns (see appendix), according to the first vowel after the initial letter in the surname. In the largest counting houses the index, in addition to being arranged in vowel order, is classified into the counties or districts in which the debtor and creditors carry on business. In the case of a large book it is often an advantage to have the index made separate instead of being bound into the

book ; or better still to adopt the modern system of **Card Indexing,** where a separate card, slotted into a tray, is used for each name. This system is not only most effective by reason of its handiness and elasticity, but it obviates the great labour involved in re-writing an index.

**250. STOCK BOOK.** As its name implies this book contains an **inventory** of the **merchant's goods** on hand. There must be two sides, one for goods purchased, and the other for goods sold. It is customary to enter the date of the transactions, and the quantity, class, price and total cost of the goods. The purchases side is particularly useful to the merchant, as it enables him to ascertain, readily, at what price he can sell in order to make a reasonable profit. This book is chiefly useful to the merchant who buys and sells the same kind of goods. The manufacturer who produces goods would have no use for such a book. He would, however, keep a

**251. WAREHOUSE BOOK (W. B.)** which would contain full particulars of the **manufactured articles.** This book presents to the manufacturer in a concise manner his **saleable stock,** and thereby assists him in regulating the output of his production. The goods received into the warehouse would be entered on one side and the goods sent out on the other. The form of the entries must, of course, vary with the nature of the business.

**252. WAGES. Contract** A/cs. must only be debited with such wages as directly increase the cost of production. Wages paid for tanning hides are **productive,** as the leather is worth more than the raw hides. Wages paid to the stone-mason are productive, as the dressed stone is more valuable than the block just quarried. In such cases the Tanner would debit his Trading A/c. and the Builder his Contract A/c. Wages paid to clerks and book-keepers, however, are not directly productive, and should generally be debited to the P. & L. A/c. as a charge against the entire business. Should a clerk, however, be *exclusively* engaged, say, in keeping the books and acting as cashier on a large contract, then you would debit such contract with his salary.

**253. WAGES BOOK.** This subsidiary book contains full particulars of each amount paid for wages. At least five columns are required, the first two being for the number and name of the employee, the third for the number of hours worked, the fourth for the rate of payment, and the fifth for the amount paid. Columns 3, 4, and 5 may be repeated on the same folio for as many weeks as the pages will admit of rulings, thereby saving the frequent rewriting of the names. The weekly total is, of course, entered in the Cash Book and from there posted to the Wages A/c. in the Ledger. In the case of a departmental business either a separate W/B., or separate columns would be kept for each department, or a summary would be prepared of the general W/B. and each department debited with its proper share. The contributions payable under the **National Insurance Act** may be entered in the Wages Book by the adoption of suitable rulings similar to the second example below.

**SIMPLE WAGES BOOK.**

| No. | Name. | No. of Hrs | Rte | *July* 20 £ | s. | d. | No. of Hrs | Rte | *July* 27 £ | s. | d. | No. of Hrs | Rte | *Aug.* 3 £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Brown, Chas | 42 | 9 | 1 | 11 | 6 | 40 | 9 | 1 | 10 | - | 35 | 9 | 1 | 6 | 3 |
| 2 | Day, James | 40 | 8 | 1 | 6 | 8 | 38 | 8 | 1 | 5 | 4 | 40 | 8 | 1 | 6 | 8 |
| 3 | Sykes, Bill | 35 | 6 | - | 17 | 6 | 48 | 6 | 1 | 4 | - | 48 | 6 | 1 | 4 | - |
| 4 | Hoyle, John | 46 | 6½ | 1 | 4 | 11 | 48 | 6½ | 1 | 6 | - | 56 | 6½ | 1 | 10 | 4 |

**WAGES and INSURANCE BOOK.**

| No. | Name. | No. of Hrs | Rte | Full Wages. £ | s. | d. | Deductions from Wages for Insurance. Health s. | d. | Unemployment. s. | d. | Net Wages. £ | s. | d. | Employer's Contribut'ns Health s. | d. | Unemployment. s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Brown, C. | 42 | 9 | 1 | 11 | 6 | - | 4 | - | 2½ | 1 | 10 | 11½ | - | 3 | - | 2½ |
| 2 | Day, J. | 40 | 8 | 1 | 6 | 8 | - | 4 | - | 2½ | 1 | 6 | 1½ | - | 3 | - | 2½ |

# EXAMINATIONS IN BOOK-KEEPING.

**254.** Book-keeping is one of the subjects specified by the **Universities** of London, Edinburgh, Birmingham, and Manchester in connection with the examinations for the degrees of B.Sc. (Economics), or Bachelor of Commerce; also in the Examination Syllabuses of the following societies:—**The Institute of Chartered Accountants** (*Moorgate Place, London, E.C.*2), **The Society of Incorporated Accountants and Auditors** (50 *Gresham Street, Bank, London, E.C.*2), **Chartered Accountants of Scotland** (*General Examining Board*, 23 *St. Andrew Square, Edinburgh*), **The Institute of Chartered Accountants in Ireland** (4 *College Green, Dublin*), **The Institute of Municipal Treasurers and Accountants** (Incorporated) (*Town Hall, Kensington, London, W.*), **The Corporation of Accountants, Ltd.** (55 *West Regent Street, Glasgow*), **The London Association of Accountants, Ltd.** (*Temple Chambers, Temple Avenue, London, E.C.*4), **The Institution of Certified Public Accountants, Ltd.** (*Coventry House, South Place, Finsbury, London, E.C.*2), **The Institute of Bankers** (34 *Clement's Lane, London, E.C.*4), **The Institute of Actuaries** (*Staple Inn Hall, Holborn, London, W.C.*1), **The Chartered Institute of Secretaries** (59*a London Wall, London, E.C.*2), **The Secretaries' Association, Ltd.** (70*a Basinghall Street, London, E.C.*2), **The Surveyors' Institution** (12 *Great George Street, Westminster, London, S.W.*1), **The Auctioneers' Institute of the U.K.** (Incorporated), (34 *Russell Square, London, W.C.*1), **The Incorporated Law Society** (Solicitors' Inter. Exam.) (113 *Chancery Lane, London, W.C.*2), **The Institute of Certificated Grocers** (4 *Cullum Street, London, E.C.*3), **National Association of Local Government Officers** (24 *Bloomsbury Square, London, W.C.*1).

**255.** This textbook, which contains many **Examination Papers** set by some of the above Societies, covers the whole of the work specified by their respective syllabuses. In addition to the above *special* bodies, at

whose examinations only those who are *articled* or otherwise *specially qualified* are permitted to sit, there are the following **public examining bodies,** at whose examinations anyone may sit on payment of the necessary fees (if any) to the Secretary of the local examining centre :—The Royal Society of Arts ; The London Chamber of Commerce ; The National Union of Teachers ; The Lancashire & Cheshire Union of Institutes ; The Union of Educational Institutions ; **The Faculty of Teachers of Commerce** (H. H. Jones, A.C.I.S., 120 *Portland Street, Manchester*). The **Central Welsh Board** (*Cardiff*); The University of **Oxford** (*Merton Street, Oxford*), held in July ; and The University of **Cambridge** (*Syndicate Buildings, Cambridge*), held in July and December. The **Local Examinations** held by the two Universities, as well as the Examination of the **College of Perceptors** (*Bloomsbury Square, London, W.C.*1), are chiefly patronised by Grammar Schools. The subject of Book-keeping cannot be taken alone, being one of the optional subjects required on taking the Certificate of the College, the exams. being held in June and December. In **Civil Service** (*C.S. Commissioners, Burlington Gardens, London, W.*1) examinations, book-keeping is an optional subject for Second Division Clerkships, and compulsory for Customs' Outport Clerkships, Assistant Surveyor of Taxes, and others ; the examination papers set being amply covered by working to the chapter on Company A/cs.

**256. The Royal Society of Arts** examinations are held about March and May each year, and the results are announced about August. The **Elementary** or *Stage I.* Examination, for which the entrance fee is 2/6, is an easy test, and is well covered by the first 147 pages of this textbook. An Exercise is set in writing up simple transactions into the Subsidiary books, posting to the Ledger, and extracting a T.B. Questions must be answered relative to simple business terms and abbreviations, and on the use of business Forms, Invoices, Statements, Bank Notes, Cheques, Bills of Exchange and Receipts ; Order, Postage, Petty Cash, Cash, Stock,

Purchases and Sales Books. To gain a Certificate 50% of the total marks must be obtained. **Intermediate** or *Stage II.* is covered by working to Exercise 100 ; and the **Advanced** or *Stage III.* by studying the remainder of the complete book. The entrance fee of 3/- for the Intermediate Stage, and 3/6 for the Advanced Stage must be paid in Feb. or April to the Secretary of the centre where you intend sitting. A copy of the Society's Syllabus is issued in September each year, and may be had from the *Secretary*, 18 *John Street, Adelphi, London, W.C.*2, for 3d., post free. First and Second Class Certificates are awarded ; the minimum percentage of marks required for Stage II. being 70 and 40 respectively ; and for Stage III. 75 and 50 respectively.

**257.** The Examination Paper of **Stage II.** of the **R.S.A.** (of which Exercises 49 to 69*d* are examples) is divided into two sections : Questions and Exercises. Candidates may answer *one* question, but not both. Both exercises are required of all candidates, who must be prepared to answer questions as to the meaning of mercantile terms, and as to the nature and use of the books of account usually kept by mercantile or manufacturing enterprises, including Limited Companies ; and to work exercises upon the principle of double entry, involving the use of Subsidiary Books, and the preparation of Trading, P. & L. A/cs., and B/S. Specially **ruled paper** is supplied, the pages having printed headings and allocated as follows :—(1) Answer to Question ; (2) Sales Book ; (3) Cash Book, two pages ; (4) Purchases Book ; (5) Journal ; (6) Ledger A/cs., each headed " Dr." and " Cr." and numbered up to 28 ; (7) Trial Balance ; (8) Trading and Profit & Loss A/cs. for Ex. 2 ; (9) Balance Sheet for Ex. 2.

**258.** All the exam. papers set for **Stage III.** of **R.S.A.** will be found among the papers at the end of the exercises. The **Advanced** syllabus states that candidates must be prepared to work an exercise and also *answer questions* (not work exercises) upon :—(1) The uses,

forms, and rulings of the books employed in different enterprises, whether wholesale or retail, merchant, manufacturing or financial ; and whether governed by private trading agreements, by the Companies' Acts, or by special Acts of Parliament. (2) The statistical books and registers of limited and other companies—their rulings, uses and methods of keeping. (3) The methods of keeping and presenting A/cs. (including branch and departmental a/cs.) of private partnerships (including the adjustment of accounts as between partners) and public companies however constituted including the columnar or tabular system and the sectional system of self-balancing ledgers. (4) Foreign currencies and their record in books of a/c. (5) Income Tax.

**259. Fully worked Keys** to **Stages 1, 2** and **3** of the Examination Papers of the Royal Society of Arts, may be had from *Mr. Arthur Fieldhouse, 66 West Parade, Huddersfield*, at **1/1 each,** per year, post free, for cash with order only. These models should be studied by every candidate.

**260.** As will be seen from the exam. papers given at the end of the exercises the subjects of **Accounting** and **Banking,** which are Stage III. subjects of the R.S.A., are practically covered by a careful study of the *whole* of this textbook, and should not be taken until Book-keeping has been thoroughly mastered

**261. The London Chamber of Commerce** examinations are usually held about the middle of May each year, the results being announced about the end of July. They are divided into *Junior* and *Senior*, the entrance fees being respectively 2/6 and 5/-. The *Junior* examination is equivalent to Stage II. of the Royal Society of Arts, and is therefore covered by working to Exercise 100 of this textbook. The *Senior* is equivalent to Stage III. of the Society of Arts, and requires a careful study of the whole book. The L.C.C. also hold exams. for Teachers' Diplomas, the same papers being set as for the *Senior* with additional questions for those desirous of taking the diploma. Candidates are

required to answer both the ordinary and additional questions, and obtain a higher percentage of marks for a " Pass " or for " Distinction " than is expected for the Senior Certificate. A copy of the Syllabuses, issued in October, may be had from the *Secretary*, 1 *Oxford Court, Cannon Street, London, E.C.*4, free of charge. **Fully-worked Keys** to **L.C.C.** Junior and Senior Exam. Papers may be had from *Mr. Arthur Fieldhouse*, 66 *West Parade, Huddersfield*, for *cash* only at **1/1 each,** per year, post free.

**262.** The exams. held by the **National Union of Teachers** in March or April, cover the usual three stages, the entrance fee being 1/6 for the Elementary stage, and 2/- for the Intermediate and Advanced stages. The Syllabus may be obtained from the *Secretary, Hamilton House, Mabledon Place, Euston Road, London, W.C.* 1.

**263. The Lancashire & Cheshire Union of Institutes** also holds examinations every March in all the three Stages, every item in the Syllabus being covered by this book. The entrance fee is 10d. in respect of students of the affiliated institutes : for external students 2/6. A Syllabus may be obtained (post free 11d.) from the *Secretary*, 33 *Blackfriars Street, Manchester.* The results are generally announced about the end of June. The marks on the Examination Papers are apportioned as follows : *Junior :* theory 15, practical a/cs. 85. *Senior :* theory 25, practical a/cs. 75.

**264.** The **Union** of **Educational Institutions** holds an examination in the Elementary and Intermediate Stages, in March or April each year, the fee being 1/- for internal and 1/6 for external candidates, payable the last week in February. First-class certificates are awarded to those securing 75% of marks, and a second-class for 50 marks and upwards. A Syllabus may be obtained from the Secretary, *Mr. W. J. Harris, Arden Road, Dorridge, Birmingham* (*post free* 4*d.*).

**265. Success** at the **Examination** depends upon knowledge, accuracy, dexterity, and style. Reliable **knowledge** is only to be acquired by *methodical* and painstaking work, which alone can result in obtaining a *real grasp* of the principles and practice of accounts. The work done at a class which meets but once a week is insufficient to ensure a trustworthy acquaintance with the subject unless it is supplemented by considerable **homework.** Between the class meetings, in addition to preparing exercises, carefully study those portions of the textbook under review, and, upon matters not thoroughly understood, write out questions for the teacher to answer at the following class. Practice answering questions *in writing*, as this cultivates precision, and impresses the mind more thoroughly than mere verbal answers

**266. Accuracy** is only attainable by undivided attention, by concentration of mind upon the particular work in hand. Inaccuracies often arise through general slovenliness, bad figuring, and the desire to work too rapidly, the result being a waste of both time and energy. Many failures are attributable to arithmetical errors alone. While it is possible for the most precise book-keeper to make a mistake it is a well-known fact that those who are in the *habit* of committing errors are those who allow their minds to wander and their attention to be diverted to matters which do not concern the duty of the moment. Concentration and carefulness must be cultivated when dealing with figures and problems in accounts if accuracy is to be secured.

**267. Dexterity** in the manipulation of exercises and examination papers can only be achieved by *methodical* and *persistent practice.* Fitful work is of little avail; excellent methods at least double one's capacity for dispatching work. More reading of the textbook is useless of itself in the solution of practical problems. It is possible to have a profound knowledge of the mechanism of a typewriter, and yet, by reason of not having

operated the machine, be quite unable to type even a short letter. Book-keeping is not only a science—systematised knowledge, it is also an art—skill in using knowledge ; and skill in accounts may only be acquired by *methodical and assiduous practice.* No student should enter himself for an examination unless he has worked numerous exercises in general Book-keeping, familarising himself with recording all kinds of transactions, plus at least 5 (preferably 25) examination papers set by the particular examining body whose examination he is taking. This practice will enable the student to gauge the time necessary to devote to each part of the test paper when in the examination room.

**268. Style** is the topstone of excellence, the hallmark of the superior worker. Although the foundation may be well and truly laid it must not be forgotten that it is the elegant superstructure which reveals the master mind ; the delicate hand of the artist, who considers no detail too trivial to receive his concentrated attention. Without the inspiration of excellence there can be no real satisfaction and success. The desire to dispose of a great number of exercises must not be allowed to interfere with stylish work ; *quality* always being more important than quantity. No subject lends itself more to the exercise of style, arrangement, display, and neatness, than Book-keeping. The various methods of setting out transactions in the books, as well as in the preparation of Trading and Profit & Loss A/cs. and B/S. should be carefully studied. A copy of one of the fully-worked keys to the Royal Society of Arts and other exam. papers, by *Mr. Arthur Fieldhouse,* is a useful guide as to setting and style.

**269.** Never **proceed** to an **examination** without first having seen at least one previous paper and mastered the **Instructions to Candidates.** Non-compliance with instructions has caused hundreds to fail who might otherwise have succeeded. Immediately on receipt of the examination paper carefully read through the

"Instructions" to see whether there has been any alteration from those of previous years. At most examinations **specially ruled paper** and blotting paper are supplied to each candidate, and the time allowed for the working of the paper is usually three hours. **Do not** read through the *whole* of the paper at the beginning, as this is liable to lead to mental confusion, and sometimes to dismay. Avoid reading any *optional* questions, and at once commence answering one which is *compulsory*. Let your answers be clear, concise, and set out in style, following the order of the questions. Most papers consist of questions and exercises, the latter being always compulsory. **Read through** *each* exercise or question before commencing its solution, and if necessary read it several times in order to *grasp* thoroughly its precise meaning. Always work the easier exercise first, and thus make sure of a "pass." In the Royal Society of Arts, Stage II., exercise 2 should be disposed of at once, as its successful working affords some degree of confidence in the remainder of the work.

**270.** Most examiners now require **practical** expositions in preference to the antiquated method of journalising every transaction. The **Journal** should only be used for recording transactions *outside* the scope of the other subsidiary books. In Stage II. of the Society of Arts, Exercise 1 should always be worked so as to display a knowledge of **modern business methods,** and the greatest practical skill in the setting out of the various transactions in their proper **subsidiary books.** Whenever possible the **columnar** or **tabular** system of Bookkeeping should be employed, even where there is only one item for each column. The exercise must be worked as though the candidate were actually engaged entering up the various books at the office desk ; separate accounts being kept for **stock, purchases, sales, returns inwards, returns outwards,** carriage, wages, salaries, discount, interest, insurance, rates and taxes, stationery, partners' drawings, &c,, *no* Goods or P. & L. A/c. being opened. Trial Balances should be composed of *balances* in preference to totals.

**271.** In **preparing Trading** and **Profit & Loss A/cs.,** care must be taken to distinguish between the items which should appear in each ; while the classification or grouping of the items, both in the accounts and in the B/S. must receive attention. A mere list of Profit and Loss items and Assets and Liabilities is not sufficient ; they should be displayed and grouped in a businesslike manner, and for this purpose the **sheets** sold by the **author** (*P.O. Box A.* 27, *Huddersfield*) of this textbook, at 1/1 per set, will be found very helpful. Remember that a P. & L. A/c. is compiled for a given *period* ; while a B/S. is a schedule of balances on a certain *date.* Study pages 272 to 282. When the exercise is in the form of a T.B. first of all check the casting and when not in such form prepare a T.B., as it facilitates the work. Should a **doubtful point** arise deal with it in some way, and address an explanatory **footnote** to the examiner. Intelligence is always appreciated.

**272.** While one is familiar with the ordinary **Trial Balance,** followed or preceded by the usual adjustment items and stock, the candidate must nevertheless be on the alert against unusual methods of stating facts. Sometimes the **Final Stock** is given as a **Dr. Balance,** having first been deducted from the Purchases, which are stated *net* ; for instance, the Purchases may have totalled to £5000, and the Final Stock may be £600. In the Trial Balance these facts may be stated as *Purchases* £4400, *Stock* £600, the result being that in preparing the Trading A/c. care must be taken to *add the value of the Final Stock to the Purchases.*

Under **Credit Balances** in the T.B. there may be *Trading A/c.* £2160, thereby indicating that the Trading A/c. has been completed, showing on the *Dr. side,* opening Stock and Purchases (less returns), and on the *Cr. side,* Sales (less returns) and Final Stock. The *Credit balance* of the Trading A/c. would, of course, require crediting to the P. & L. A/c., but the *final* Stock already having been credited, must only appear in the B/S.

**Dr.** **Trading A/c.** **Cr.**

| 1914 | | £ | 1914 | | £ |
|---|---|---|---|---|---|
| Jan. 1 | To Stock b/f. ..... | 2000 | Dec.31 | By Sales ..... | 6000 |
| Dec.31 | „ Purchases ..... | 5000 | „ „ | „ STOCK c/f. ..... | 3160 |
| „ „ | „ *BALANCE carried to P. & L. A/c.* | 2160 | | | |
| | | £ 9160 | | | £ 9160 |

**273.** Occasionally, the **Bad Debts** are stated among the adjustment entries, instead of being included in the T.B., and when this is the case it is clear that the amount of the Bad Debts has not been credited to the Sundry Debtors, consequently the Bad Debts not only require debiting to the P. & L. A/c., but must also be *deducted* from the total of Sundry Debtors.

**274.** Be at your place in the **examination room** at least ten minutes before the time, so as to hear the regulations read, and fill up the necessary form containing name, age, institution, &c. To rush into the room on the stroke of time interferes with that self-possession and calmness which is so necessary to success. **Red ink** should be used for ruling off totals, when time permits, but certainly not until the exercises have been completed. Should you have a few minutes to spare spend it in **revising** your work, as a medal or prize may depend upon some little improvement effected in that way.

**275. Criticism of examination papers** and of the peculiarities of examiners should be addressed to the examiners concerned, if at all, and not to the author of this work, who *cannot* reply to communications relative to the composition of papers over which he has no control.

**Exercise 53.** (*Royal Society of Arts*, 1898.)

**A.** Give a list of the books required for keeping the accounts of a Merchant's business and briefly describe the use of one of them.

**B.** Explain what is meant by :—Personal A/c., Impersonal A/c., Reconciliation Statement, Suspense A/c.

**C.** Messrs. Black & White are partners upon the following terms :—(1) To receive 5% int. upon their respective Partnership Cap., with yearly rests. (2) To receive as partnership salaries : Black, £50 per month ; White, £20 per month ; and to withdraw no further sums pending ascertainment of profits. (3) Depreciation at 10% to be written off Plant and Machinery as standing in the books at the end of the year. (4) Provision at 5% (for doubtful debts) to be reserved upon all Book Debts, excepting B/R. (5) The net Profit or Loss to be shared thus :—Black, two-thirds ; White, one-third. On 30th Nov., 1897, the following was the Trial Balance :—

| **Dr. Balances**— | |
|---|---|
| Black's Salary A/c. | £550 |
| White's Salary A/c. | 220 |
| Purchases | 25462 |
| Investments(Consols at Cost) | 1230 |
| Wages | 3841 |
| John Jones & Son | 3426 |
| Jas. Smith & Co. | 7139 |
| William Owen | 3636 |
| Legal Expenses | 14 |
| Cash | 10 |
| Bank | 1205 |
| Freehold Property | 20641 |
| Machinery & Plant | 5440 |
| Bills Receivable | 502 |
| Managers' & Clerks' Salaries | 945 |
| **Dr. Balances** continued— | |
| Office Expenses | £108 |
| Discount | 214 |
| Stock (1st Jan., 1897) | 3842 |
| Rent (11 months) | 660 |
| **Cr. Balances**— | |
| Alb. Black (Cap. A/c. as on 1st Jan., 1897) | 4200 |
| Benj. White, ditto | 1500 |
| Dividends on Consols recd. | 30 |
| Bills Payable | 3815 |
| Sales | 48561 |
| Roberts Bros. | 8243 |
| Robinson & Co. | 5768 |
| J. Green & Son | 6968 |

Open the A/cs. necessary to record the above particulars in the books and post the undermentioned transactions. (*Key next page.*)

| | | |
|---|---|---|
| Dec. 2. | Purchased from Roberts Bros, on credit | £7841 |
| „ 8. | Paid Rates | 141 |
| „ 9. | Pd. Robinson & Co. (after deducting dis. £12) | 240 |
| „ 10. | Paid Bill No. 48 | 100 |
| „ 11. | Recd. from J. Smith & Co. (less dis. £42) | 948 |
| | Sold W. Owen (on credit) | 1000 |
| „ 15. | Purchased from J. Green & Sons (on credit) | 3421 |
| „ 16. | Bought gas engine from London Gas Engine Co. (on credit) | 350 |
| „ 17. | Paid Wages, £442, (Dec. 21) Paid taxes | 21 |
| „ 24. | Paid premiums on fire policy for year ending 25th December, 1898 (182) | 105 |
| „ 30. | Received for sale of consols | 1200 |
| „ 31. | Paid official salaries | 360 |
| | Paid office expenses £20, Paid wages | 440 |
| | Sold James Smith & Co., (on credit) | 1049 |

All the above payments were made by cheque, and all amounts received were paid into the bank upon receipt. The stock on 31st Dec., 1897, was worth £3400. The outstanding rent owing to Benjamin & Lewis for Dec. (£60), and the partners' drawings for the same month (under clause 2), must be provided for. After making adjustments provided for under the clauses of the partnership deed set out above, bal. books and prepare T.B. Make closing entries raising a Trading and P. & L. A/c. Divide Net profits between partners (under clause 5), and prepare B/S.

(Ex. 53.) **Trading A/c.**

**Dr.** For Year ended 31st December, 1897. **Cr.**

| | £ | | £ |
|---|---|---|---|
| To Stock, 1st January, 1897.. | 3842 | By Sales..... | 50610 |
| „ Purchases ..... | 36724 | „ *Stock, 31st December* ..... | 3400 |
| „ Wages ..... | 4723 | | |
| „ *Gross Profit* ..... | 8721 | | |
| | £54010 | | £54010 |

**Profit & Loss A/c.**

**Dr.** For Year ended 31st December, 1897. **Cr.**

| | £ | | £ |
|---|---|---|---|
| To Rent ..... | 720 | By Gross Profit from Trading A/c..... | 8721 |
| „ Rates & Taxes ..... | 162 | „ Discount received ..... | 12 |
| „ Office Expenses ..... | 123 | | |
| „ Insurance..... | 2 | | |
| „ Legal Expenses..... | 14 | | |
| „ Discount allowed ..... | 256 | | |
| „ Salaries ..... | 1305 | | |
| „ Partners' Salaries ..... | 840 | | |
| „ Depreciation ..... | 579 | | |
| „ Reserve for Doubtful Debts | 763 | | |
| „ Interest on Capital..... | 285 | | |
| „ *Balance c/d.* ..... | 3679 | | |
| | £8733 | | £8733 |
| To Loss on Consols ..... | 30 | By Balance b/d. ..... | 3679 |
| „ *Net Profit for year :—* | | „ Dividend ..... | 30 |
| A. Black, ⅔rds. £2452 13 4 | | | |
| B. White, ⅓rd. 1226 6 8 | | | |
| | 3679 | | |
| | £3709 | | £3709 |

**Balance Sheet** of Black & White, on 31st December, 1897.

| Liabilities. | £ | £ | Assets. | £ | £ |
|---|---|---|---|---|---|
| SUNDRY CREDITORS :— | | | Cash in hand ..... | 10 | |
| On Bills Payable ..... | | 3715 | Cash in Bank ..... | 1484 | |
| On Open Accounts :— | | | | | 1494 |
| Roberts Bros. .....£16084 | | | Sundry Debtors :— | | |
| Robinson & Co. .... 5516 | | | On Bills Receivable | | 502 |
| J. Green & Son ... 10389 | | | On Open A/cs. :— | | |
| London Gas Eng. Co. 350 | | | J. Jones & Son .... | 3426 | |
| Benjamin & Lewis 60 | | | J. Smith & Co..... | 7198 | |
| | | 32399 | Wm. Owen ..... | 4636 | |
| A. Black, Salary A/c. 50 | | | | 15260 | |
| B. White, Salary A/c. 20 | | | *Less* Reserve for Doubtful Debts | 763 | |
| | | 70 | | | 14497 |
| CAPITAL :— | | | Stock..... | | 3400 |
| A. Black, 1st Dec. £4200 – – | | | Machinery & Plant ... | 5790 | |
| *Add* Int. on Cap. 210 – – | | | *Less* Depreciation .. | 579 | |
| *Add* ⅔rds of Profits 2452 13 4 | | | | | 5211 |
| 6862 13 4 | | | Freehold Property .... | | 20641 |
| B. White, 1st Dec. 1500 – – | | 9664 | Fire Insurance prepaid | | 103 |
| *Add* Int. on Cap. 75 – – | | | | | |
| *Add* ⅓rd of Profits 1226 6 8 | | | | | |
| 2801 6 8 | | | | | |
| | £45848 | | | | £45848 |

**Exercise 54.** (*Royal Society of Arts*, 1899.)

**Q. 1.** What position does the cash-book take in a set of merchant's books based upon "double entry?" Of what use can it be made in addition to the simple recording of cash received and cash paid, and to what book or books should the items in a cash-book be posted? **Q. 2.** What is the difference between a "Bill Receivable" and a "Bill Payable?" Is there any difference in form; if so, what? By whom is a B/P. to be paid, the drawer or the acceptor?

**Ex. 1.** Record the following transactions in Peter Brown's books, and extract a T.B. of balances as on Feb. 12, 1899:—

Jan. 1. Peter Brown opened a Bank a/c. by paying in cash £5000, and on the same day purchased from the Liquidator of the Blast Furnace Co., Ltd., (in liquidation) the Freehold land and buildings (£2000), Plant and Machinery (£1500) and Loose Tools and Stock (£1000) of the Company—together £4500, which he pd. by cheque upon the above a/c.

,, 2. Bought from Richd. Jones, 500 tons of Northamptonshire Iron Ore @ 8/- a ton delivered. Terms:—one month's credit and 2½% dis. for cash.

,, 3. Bought from R. Jones, 300 tons of South Yorkshire Coke @ 10/- per ton at the pit mouth. Terms:—net, 4 mos. Bill, which Brown accepted. Carriage £5.

,, 3. Paid Wages, £25.

,, 4. Sold Robert Black 100 tons of No. 3 Foundry Iron @ 45/- a ton at the works, and 24 tons of No. 1 @ 50/- a ton, to be paid for on the 10th of the following month, with a cash discount of 1¼%. Carr. paid on £10.

,, 4. Drew a cheque for cash purposes for £25.

,, 5. Sold R. Black 52 tons 10 cwts. No. 4 Forge Pig Iron @ 40/- per ton at the works, and 10 tons of Silvery Iron at 30/- a ton. Terms Cash, 10th of the following month with 2½% dis. Carr. paid on £10.

,, 6. Recd. from R. Black 20 tons of No. 3 Foundry Iron, sold on the 4th inst., not being equal to sample. Carr. £1.

,, 10. Paid Wages, £100.

,, 31. Paid Sundry Office Exs., cash £10. Paid Salaries £25.

Feb. 1. Paid Carriage A/c. £19. Feb. 2. Paid R. Jones, £195.

,, 10. Recd. from R. Black £246, and on February 12, £127.

,, 12. Drew for private purposes £45. (*Total Balances*, £5585.)

All payments (unless otherwise stated) made by cheque and all moneys recd. paid into bank. "Wages," "Salaries," and "Office Exs." are to be posted to the same a/c., viz., "Trade Charges."

**Ex. 2.** Prepare Trading, P/L. A/cs., and B/S. from the following T.B. of Geo. Green and Jas. Gold's books taken 31st Dec., 1898. Profits are divided equally. The **stock** in hand on

31st Dec , 1898, was £3000. You have to provide for 10% depreciation upon the plant, and reserve 5% provision upon the outstanding A/cs. for Doubtful Debts. Credit partners with 5% int. upon cap.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances continued—** | |
| Green's Withdrawals (including interest).... | £525 | Plant ..... | £3240 |
| Gold's do. .... | 465 | Salaries ..... | 864 |
| Purchases ..... | 17778 | Office Exs. ..... | 223 |
| Investments ..... | 750 | Repairs ..... | 310 |
| Wages A/c. ..... | 1278 | Discounts..... | 824 |
| Sundry Debtors ..... | 8220 | | |
| Rent A/c..... | 520 | **Cr. Balances—** | |
| Law Charges ..... | 75 | Sundry Creditors ..... | 2300 |
| Cash ..... | 40 | Green's Cap. 1st Jan. ..... | 9240 |
| Bank ..... | 430 | Gold's Cap. 1st Jan. ..... | 8160 |
| Freehold Property ..... | 8000 | Dividends A/c. ..... | 22 |
| | | Sales ..... | 23820 |

**Answer.**—*Gross Profit* £7764; *Net Profit* £3365; *Bal. of Green's Cap.*, £10,859 10 –, *Gold's Cap.* £9785 10 –, *Total B/S.* £22,945.

### Exercise 55. (*Royal Society of Arts*, 1900.)

**Q. 1.**—Explain the terms "Balance down," "Trial Balance" and "Balance Sheet." What is the chief difference between the last two? Do the words "Balance down," closing the debit side of an a/c. mean that the a/c. is in debit or in credit? **Q. 2.** What books should you recommend a shopkeeper, doing a cash business only, to keep? What difference would it make in your recommendation should he decide to sell upon credit?

**Ex. 1.** John Smith commenced business as a Colonial merchant on 1st Jan., 1900. Pass the necessary entries through the proper books to the ledger and extract a T.B. Unless otherwise stated, all moneys received and paid were passed through the bank.

Jan. 1. Opened an account with bankers by paying in £2000.
Purchased office furniture and stationery for £110.

„ 2. Purchased from Paul & Co., commission agents, 2 gross boxes of pens @ 10/- per doz boxes net; 3 cases of 100 each, cycle lamps @ £12 per doz. (trade dis. 25%); and 12 gross electro-plated table spoons @ 60/- per doz. (less trade dis. 50%).
Gave Paul & Co. a 3 mos. bill for the amount of the inv.
Consigned the whole purchase to his agent in Canada, paying shipping chgs. £8 2 6, and marine insce. £3 5 6.

„ 4. Drew cheq. for petty cash, £10, and opened P.C.B.

„ 5. Made the following cash sales of goods recd. on consignment from Black & Co., of Ceylon, viz.:—20 chests of Tea @ £4 15 6 a chest; 30 packages of coffee @ 60/- a package; and 10 bags of Cocoa @ 30/- a bag. Recd. and banked the cash. Deducting 1% comm., sent Black & Co., cheq. for bal.

„ 8. Drew cheq. for private purposes, £50.

„ 12. Paid sundry trade exs., £4 8 8 from P.C.

Jan. 16. Paid other Trade Charges £25.
,, 20. Bought for cash at auction a stock of cycles for £200.
,, 22. Sold Paul & Co. 10 cycles at £6 ea., with 1 mo.'s credit.
,, 23. Sold Paul & Co., 12 cycles @ £6 ea., with 5% cash dis. Recd. net cash.
,, 29. Recd. cash (by cable) from his Canadian agt. £490, being proceeds of the sales of the cycle lamps and spoons, consigned on 2nd inst. (pens unsold), less £10 his comm.
,, 31. Paid from P.C., month's salaries (trade charges) £4. (*Total Balances*, £3065 12 –.)

**Ex. 2.** Joseph Jones & Bruce Brown are partners in a manufacturing business. They share profits and losses equally, and have agreed that 5% int. shall be credited upon their respective cap. from profits prior to division thereof. Plant a/c. is to be depreciated by 10% per annum and a provision of 5% created for bad and doubtful debts. On 31st Dec., 1899, **stock** was valued (at cost) £4000. Make the necessary closing entries, and raise Trading, P/L. a/cs. and B/S., the partner's cap. a/cs. being shown in detail in the B/S.

| **Dr. Balances—** | |
|---|---|
| Stock | £3800 |
| Purchases | 12850 |
| Sundry Debtors | 14840 |
| Trade Expenses | 475 |
| Office Expenses | 95 |
| Plant | 1050 |
| Discounts | 120 |
| Salaries | 473 |
| Rents, Rates and Taxes | 382 |
| Buildings | 5250 |
| Repairs | 98 |
| Wages | 2480 |
| **Dr. Balances** continued— | |
| Jones' Drawings (including int.) | £832 |
| Brown's ,, | 500 |
| Bank | 945 |
| Cash | 10 |
| **Cr. Balances—** | |
| Jones' Cap. A/c. 1st Jan. | 8000 |
| Brown's Cap. do. | 2000 |
| Res. for Doubtful Debts | 450 |
| Sundry Creditors | 10950 |
| Sales | 22800 |

**Answer.**—*Gross Profit* £7670, *Net Profit* £5130, *Bal. of Jones' Cap.* £10133, *Brown's Cap.* £4165, *Total of B/S.* £25248.

## Exercise 56. (*Royal Society of Arts*, 1901.)

**Q. 1.** Explain the terms "Royalty," "Dormant Partner," "Lien," "Set off," and "Crossed Cheque." **Q. 2.** Rule a page of the Petty Cash Book suitable for a Firm whose business is divided into three Departments. Wages, Carriage, Postages, and Sundry Petty Expenses are all paid by them out of P.C.

**Ex. 1.** Thomas Flint bought, on 1st Jan., 1901, from the trustees of Samuel Crystal, a bankrupt, his business as haberdasher and silk mercer, paying him immediately £400 for the stock, and £50 16 6 for furniture and fixtures (taken at a valuation) and nothing for goodwill, while the trustee kept and collected the book debts. Flint brought into the concern, as working capital, £549 3 6. He opened the usual set of books, using his Cash Book for recording all receipts and payments which were through his Bankers; while he kept a Petty Cash Book recording the payments of wages and sundry exs. connected with the carrying on of his business. Pass the above and the

following transactions through the proper books to the Ledger, and extract a T.B. as on 31st Jan.

Jan. 1. Drew and cashed Cheque for Petty Cash £10.
" 3. Bought of Abel Smith 455 yds. velvet @ 9s. 6d. a yd., and 996 yds. black silk @ 5s. 3d. a yd. Accepted Smith's Bill at 6 mos. for the amt. of the Invoice plus int. @ 5% per ann. for the accommodation.
" 4. Bought 6 seats for his girl assistants @ 10s. each, and a new counter costing £27, and paid for same net.
" 6. Bought of Adam Jones 9 pieces, of 64 yds. each, Irish Linen @ 2s. 2d. a yd.; 2½% cash dis. being allowed for payment within 14 days.
" 7. Paid his Accountant £24 3s. 6d. for examining the books of S. Crystal, and negotiating purchase with Trustee.
" 8. Recd. from his principal assistant, Obsequious Mute, £50, as a loan at 5% per ann. int., plus 7½% of the profits.
" 10. Sold Mrs. White 16 yds. velvet @ 12s. 6d. per yd.; 33 yds. Irish Linen @ 2s. 6d. a yard; 2 Victoria felt underskirts @ 10s. 6d. each; 12 yds. black silk @ 6s. 6d. a yd.; and 6 yds. purple silk @ 9d. a yd. The total purchase was to be paid for not later than 6th Feb.; 5% per ann. being charged on overdue a/cs., while 1¼% dis. was to be allowed if paid within 7 days.
" 11. Pd. his lawyer for exs. connected with purchase of the business £10 6s. 8d.
" 12. Pd. from Petty Cash, postage on circulars £3, and sundry shop exs. £2 12s. 6d.
" 13. Recd. from Mrs. White payment of goods inv'ced 10th.
" 16. Pd. Adam Jones as per invoice of the 6th inst.
" 22. Sold Mrs. White (for a friend) a repeat order of the 10th inst., but for half the quantity of each item, and upon the same terms.
" 22. Sold Mrs. White (for another friend) a repeat order as to qualities and prices of the 10th, but the goods being soiled or imperfect, a trade dis. of 15% was allowed.
" 31. Drew and cashed cheque for wages for the month £20 3s. 9d. Drew cheque £20 (as against profits) for private purposes. Recd. for the month (as per Till book) £103 12s. 6d., being Cash Sales. (*Total Balances*, £1690 0s. 11d.)

**Ex. 2.** Rd. Red. and Wm. White entered into partnership on 1st Jan., 1900. It was agreed that int. on Partnership Cap. at 5% per ann. should be a charge upon profits prior to division; that Plant should be depreciated by 10% per ann., and a provision of 5% made from Sundry Debtors as against Doubtful Debts. Profits or Losses were to be shared thus: R. Red. ⅔ and W. White ⅓. Value of **stock** £5200. Prepare Trading A/c., P/L. A/c., and B/S., apportioning the profits and showing the Partners' Cap. A/cs. in detail in the B/S. on 31st Dec., 1900.

| Dr. Balances— | | Dr. Balances continued— | |
|---|---|---|---|
| Repairs | £104 | Wages | £2140 |
| Purchases | 6920 | Interest on Loan | 250 |
| White's Drawings A/c. | 500 | Cash | 12 |
| Red's do. | 800 | Bank | 860 |
| Law Costs | 27 | Rent, Rates & Taxes | 356 |
| Audit Fees | 25 | Plant | 4200 |
| Stock | 3800 | Sundry Debtors | 8000 |
| Insurance | 32 | **Cr. Balances—** | |
| Bad Debts | 78 | Red's Cap., January 1 | 5000 |
| Salaries | 500 | White's Cap., Do. | 1200 |
| Office Expenses | 30 | Sundry Creditors | 5564 |
| Commission | 41 | Sales | 15000 |
| Carriage | 121 | Discount | 32 |
| Goodwill | 3000 | Loan | 5000 |

**Answer.**—*Gross Profit* £7219 ; *Net Profit* £4678 ; *Balance of Cap. : R. Red* £7568 13 4, *W. White* £2319 6 8, *Total B/S.* £20452.

**Exercise 57.** (*Royal Society of Arts*, 1902.)

**Q. 1.** What is meant by a "Reconciliation Statement"? Give an example, showing your meaning fully. **Q. 2.** What is the nature and use of the "Journal," and in what way has the former use of it in a merchant's office been superseded by modern practice?

**Ex. 1.** Wm. Smith, Cigar Merchant, on Jan. 1, 1902, had the following *assets* :—Cash at Bank £179 13 4, Jas. Jones £24 16, Ben Brown £57 8 10 (both debtors for goods) and Stock £240. *Liability* :—Robert Robinson (creditor for goods) £101 18 2, Jas. Jones had been adjudicated a bankrupt, and his debt was estimated to realise 10s. in the £. Open a/cs. in Smith's Ledger showing his position as on Jan. 1, pass transactions through the necessary books to the Ledger ; take out T.B. as on 31st Jan. *All receipts and payments through the Bank.*

Jan. 1. Received B. Brown's cheque in settlement of his a/c.
,, 3. Bought from Robert Robinson 5000 cigars at 22s. 6d. a 100, less 5% for cash in 7 days.
,, 4. Sold R. Robinson 3500 cigars at 21s. a 100 net. Gave him cheque in settlement of his a/c.
,, 5. Received from James Jones' Trustee in Bankruptcy a first and final dividend of 5s. in the £.
,, 10. Sold B. Brown 3000 cigars at 18s. 6d. a 100. Terms :—Cash, less 2½% in 7 days.
,, 13. Recd. Loan of £200 from Arthur Lender, and gave him in exchange a P/N at 6 mos. for £205.
,, 14. B. Brown returned 1000 cigars sold him on the 10th inst., as they were not in good condition.
,, 16. Recd. from B. Brown, a cheq. in settlement of his a/c.
,, 20. Paid a/c. for office stationery, £10 3s. 6d.
,, 25. Drew cheque for private purposes £20.
,, 31. Paid office salaries £25. (*Total Balances*, £672 6 3.)

**Ex. 2.** Baden Brown and Jonas Jones are in partnership under the style of "Brown, Jones & Co." They represent several Berlin manufacturers and sell their goods on commission. All sales are

made from samples and they keep **no stock.** Prior to division of profits which are shared equally, the following adjustments have to be made :—(*a*) Each partner is entitled to 5% per ann. int. upon his cap. (*b*) Depreciation at 10% per ann. has to be written off the Furniture & Fittings A/c. (*c*) An instalment of £100 per ann. has to be written off the Premium on Lease A/c. (*d*) Provision at the rate of 5% has to be reserved for doubtful debts.

Prepare Trading A/c., P/L. A/c. and B/S. on 31st Dec., 1901.

| **Dr. Balances—** | | **Dr. Balances continued—** | |
|---|---|---|---|
| Salaries | £880 | Bank | £1854 |
| Packer's Wages | 438 | Cash | 16 |
| Rent, Rates and Taxes | 628 | Brown's Drawings | 1250 |
| Commission allowed | 371 | Jones' Drawings | 850 |
| Discounts | 16 | Premium on Lease | 800 |
| Trade Exs. | 308 | Furniture and Fittings | 550 |
| Travelling Exs. | 317 | | |
| Law Charges | 29 | **Cr. Balances—** | |
| Bad Debts | 184 | Brown's Cap., 1st Jan. | 1500 |
| Sundry Debtors | 700 | Jones' Cap., 1st Jan. | 500 |
| Insurance | 19 | Commission earned | 6842 |
| Office Exs. | 64 | Sundry Creditors | 432 |

**Answer.**—*Net Profit,* £3298 ; *Bal. of Cap., Brown,* £1974 ; *Jones,* £1324 ; *Total of B/S.,* £3730.

**Exercise 58.** (*Royal Society of Arts,* 1903.)

**Q. 1.** Explain these terms in connection with cheques "endorsed," "dishonoured," "not negotiable," "refer to drawer," "forged."

**Q. 2.** Sketch rulings for a "Purchases Book," suitable for a wholesale provision merchant, and explain its advantages.

**Ex. 1.** John Barleycorn purchased the Holly Tree Inn free hold premises, together with furniture, fittings, wines and spirits, provisions, &c., therein, and commenced business on Dec. 1, 1902 as Hotel Proprietor. His capital consisted of £8000 at the Town Bank, Ltd. Pass transactions through proper books to Ledger ; balance ; bring down balances and make T.B. *All receipts and payments through the Bank, except where stated otherwise.*

Dec. 1. Executed conveyance of the freehold property, for which he paid £4000.
Drew and cashed cheque (for petty cash) £50.
,, 3. Paid £950 for furniture and fittings, £600 for stock of wines and spirits, and £80 for stock of provisions as per agreed valuation.
, 4. Bought provisions from James Bacon (on credit) for £121 5s.
,, 5. Bought groceries for £3 9s. 6d. (petty cash)
,, 8. Bot. cigars from John Wilkinson (on credit) for £48 10s.
Paid servants' wages £10 10s. 6d. (petty cash).
,, 10. Banked £29 1s. 6d. received from visitors, and £38 1s. 9d. Bar and Billiard Room Receipts.
,, 15. Paid servants' wages, £10 10s. 6d. (petty cash).
,, 17. Sent J. Bacon cheque in settlement of a/c., less 5% dis. allowed. Banked £41 8s. 4d. recd. from visitors, and £49 10s. from Bar and Billiard Room.

Dec. 18. Paid Poor Rate £12 8s.
,, 19. Changed a visitor's £10 cheq. and pd. same into Bank.
,, 22. Bot. on credit two carpets of Turkey & Co. for £24.
Paid servants' wages £10 10s. 6d. (petty cash).
,, 23. Gave J. Wilkinson cheque in settlement, less 10% dis.
Drew and cashed cheque (for petty cash) £25.
Withdrew £25 from Bank for private purposes.
Distributed £10 (petty cash) as Christmas Boxes.
,, 24. Banked £63 2s. 8d. rec. from visitors, and £65 2s. 6d. from Bar and Billiard Room.
Bought from Phiz & Co., a case of 3 doz. champagne at 70s. per doz. (on credit).
Sold on credit wines & cigars to Geo. Ash for £10 10s.
,, 29. Paid servants' wages £10 10s. 6d. (petty cash).
,, 30. Recd. cheq. from G. Ash, in settlement, less 5% dis.
,, 31. Banked £45 3s. rec. from visitors, and £70 4s. 2d. from Bar and Billiard Room.
Returned one carpet (£10) to Turkey & Co., not in order.
Paid manager's salary, £10. (*Total Balances*, £8437 2s. 2d.)

**Ex. 2.** Messrs. Seth Serge and Chas. Cheviot are in partnership as cloth manufacturers. Profits and losses are to be shared equally. The profits of the business, prior to division, are subject to the following adjustments :—(1) Interest on partners' capital at 5% per ann. (2) Annual depreciation on machinery and plant at 10%, and on fixtures and fittings at 5%. (3) Provision for bad and doubtful debts at 5%. (4) Provision for a half-year's int. on mortgage at 5% per ann. to Dec. 31. (5) 10% of the net profit (if any) to be carried to the Reserve Fund. **Stock** on Dec. 31, 1902, agreed at £29,450. Prepare Trading A/c., P/L. A/c. and B/S.

| **Dr. Balances—** | | **Dr. Balances** continued— | |
|---|---|---|---|
| Machinery and Plant | £12000 | Interest on Mortgage | £225 |
| Freehold Premises | 26200 | Serge's Drawings, with Int. | 3535 |
| Fixtures and Fittings | 7200 | Cheviot's do. | 2965 |
| Wages | 15860 | Sundry Debtors | 17020 |
| Purchases | 62077 | **Cr. Balances—** | |
| Cash | 940 | Serge's Cap., 1st Jan. | 20000 |
| Stock (1st Jan., 1902) | 21820 | Cheviot's Cap., do. | 18000 |
| Salaries | 1100 | Sundry Creditors | 27600 |
| Carriage | 2132 | B/P. | 4800 |
| Rates and Taxes | 502 | Reserve A/c. | 2100 |
| Insurance | 382 | Mortgage on Premises | 9000 |
| Office Expenses | 208 | Sales | 90460 |
| General Trade Exs. | 2080 | Bankers | 4874 |
| Repairs | 674 | Interest and Discounts | 86 |

**Answer.**—*Gross Profit* £18021 ; *Net Profit* £8400 ; *Bal. of Cap.* : *Serge* £21,245, *Cheviot* £19,715. *Total of B/S.* £90,399.

**Exercise 59.** (*Royal Society of Arts*, 1904.)

**Q. 1.** John Jones owed W. Smith £50. Jones failed ; and his estate realised a first and final dividend of 7/6 in the £. What is meant by a "first and final dividend" ? What did Smith receive ; and what entries would you expect to find in his books ?

**Q. 2.** The following crossings appeared upon cheques received by George Smith. What do they respectively mean ? Which do you prefer, or what other would you recommend, and why ? (& Co.) ; (a/c. payee) ; (Blank Bank, Ltd., a/c. John Smith).

**Ex. 1.** John Shaw having opened an a/c. with The Dales Bank, Ltd., by paying in £4200 to his credit, on 12th Oct., 1903, purchased (by cheque) the following day, the Duchess Slate Quarry from W. Black, the purchase price (after valuation) being :—Freehold Land and Quarry, £2350 ; Stock of Slates, £300 ; and Machinery, Plant, Tools, &c., £350. *All receipts through Bank, and (except where stated) all payments by cheque.* Pass the above and the following transactions through the proper books to the Ledger ; balance the a/cs. ; bring down the balances and extract a T.B.

Oct. 14. Drew and cashed cheque (for petty cash) for £20.
„ 16. Bought Machinery from Gray & Co. for £45. Gave them his acceptance at 1 month, which was honoured.
„ 19. Sold G. Hill 3500 slates at £7 8s. per 1000.
Bot. 2 cwt. drills from Sheffield Steel Co. at £20 ton.
„ 21. Paid Rates £6 10s. 4d.
„ 23. Sold Parker & Co. 1600 slates at £7 4s. 2d. per 1000.
„ 24. Drew cheq. £73 7s. 9d. for wages, and paid the same.
Banked cash received for cartage, £4 2s. 6d.
„ 27. Made G. Hill an allowance for 250 broken slates (invoiced Oct. 19), made a claim upon the Ry. Co. for amount.
„ 28. Rec. chq. from G. Hill in settlement of a/c. less 5% dis.
Bot. 3 tons rails at £5 a ton from Rotherham Forge Co.
„ 29. Sold Parker & Co. 1500 slates at £7 4s. per 1000.
„ 31. Sold D. Green 4200 slates at £8 3s. 4d. per 1000.
Drew cheque and cashed same (for Petty Cash) for £11 15s. 4d., the Petty Cash being kept upon the "Imprest" System.
Paid Manager's Salary for the month, £30.
Drew cheq. £68 3s. 7d. for wages, and paid the same.
Nov. 5. Recd. cheque £10 from Parker & Co. (on account).
Bot. oil and other stores from Slippery & Co. for £4 10s.
„ 6. Paid Sharp & Co. cheque £21 for legal charges.
„ 7. Parker & Co.'s cheque for £10 returned by the bankers dishonoured, the bank charges being 1s.
Drew cheq. £70 8s. 4d. for wages, and paid the same.
Banked cash received for cartage £7 14s.
Bought 10 cwt. blasting powder at £5 a ton from Dynamite & Co., Ltd.
„ 10. Rec. cheque from Parker & Co. for £10 (on a/c.).
„ 16. Bought timber from D. Green for £16.
„ 19. Rec. cheq. from Ry. Co. for full claim made Oct. 27th.
„ 21. Drew cheque for self for private purposes £20, and cashed.
Drew cheque £62 17s. 6d. for wages and paid same.
(*Total Balances*, £4334 7s. 2d.)

**Ex. 2.** Messrs. Blank, Sons & Co., Joinery Manufacturers, register themselves as a Limited Company (under the Companies' Acts), on Jan. 1, 1903, with a Nominal Cap. of £60,000 divided into 60,000 shares of £1 each; and issue 50,000 shares, which are fully subscribed and paid. Adjustments (1) Depreciation of Machinery and Plant @ 10%; (2) Provision for Bad and Doubtful Debts @ 5%; (3) £50 of Fire Insurance Premium to be c/f. to next year. **Stock** on Dec. 31, 1903, £12,826. Prepare Trading, P. & L. A/cs., B/S.

| **Dr. Balances**— | |
|---|---|
| Freehold Land and Buildings | £12100 |
| Sundry Debtors | 26420 |
| Stock, 1st January, 1903 | 16420 |
| Cash at Bankers | 3105 |
| Wages A/c. | 14214 |
| Salaries A/c. | 920 |
| Fire Insurance | 126 |
| Trade Expenses | 1340 |
| Bad Debts written off | 125 |
| Machinery and Plant | 20400 |
| Cash in hand | 90 |
| **Dr. Balances** continued— | |
| Purchases A/c. | £24800 |
| Carriage A/c. | 4900 |
| Rates and Taxes | 140 |
| Directors' Fees | 500 |
| **Cr. Balances**— | |
| Doubtful Debts Reserve | 500 |
| Capital A/c. | 50000 |
| Sales A/c. | 62100 |
| Sundry Creditors | 11000 |
| Reserve A/c. | 2000 |

**Answer.**—*Gross Profit* £14592; *Net* £8630; *Total B/S.* £71630.

**Exercise 60.** (*Royal Society of Arts, Intermediate,* 1905.)

**Q. 1.** Hy. Johnson, Provision Merchant, holds two B/R., one being for six mos. £100, accepted June 30, 1904, by Geo. Jenkins, and the other for five mos. £90, accepted June 18, 1904, by Alfred Smith. Give a sketch of a suitable B/R. Book for Hy. Johnson and enter the above bills therein. Alfred Smith failed to honour the Bills accepted by him. What entries does such default necessitate in Hy. Johnson's books? **Q. 2.** A firm of Drapers, whose head office is in London, has three retail branches in the Provinces. State what weekly returns you would expect from the branches, and how you would deal with such returns in the books of the head office.

**Ex. 1.** Austin Brown, whose capital consisted of £2500 in the Assets Bank, Ltd., commenced business on Feb. 1, 1904, by opening stores for the sale of tea and coffee; having adapted the front room of his house (his own freehold) for use as a shop, by an outlay of £200, and expended £50 in furniture and fittings. Paid both items by cheque on Feb. 1. *All receipts and payments through Bank* unless otherwise stated. Pass the above and following transactions through the proper books to the Ledger; balance the a/cs. as on Feb. 18; bring down the balances and extract a T.B.

Feb. 2. Drew cheque for £10 for Petty Cash.
" 3. Bought from F. Thompson & Co., 8 chests of China tea for £43 4s., and paid Government duty £2 12s. 6d.
" 4. Purchased coffee-roasting machine from Machine Supply Co., £38 10s.
" 5. Sold 1 chest tea to A. James & Co., £6, dis. 2½% 1 mo.
Purchased from G. Mager 1 cwt. coffee at 87/6 per cwt., and 1½ cwt. do. at 92/- per cwt.
Purchased from R. Phillips 2 cwts. of coffee at 81/3 cwt.

Feb. 6. Bought for cash stationery, string, &c., £6 4s. 2d.
„ 7. Drew cheque for £12 10s. for Rates.
„ 8. Paid Income Tax (Schedule A) at 1/- in the £, and House Duty at 9d. in the £, the annual value of house and shop being assessed at £120.
„ 9. Bought from Ceylon Tea Co. 3 chests of tea at £4 16s. per chest, duty paid.
„ 10. Cash Sales for the week amounted to £7 3s. 4d.
Ordered Advertisements in Geo. Smith's Time-Tables to the amount of £7 10s.
Drew cheques for wages, £3 4s. 6d., for P.C. £6 4s. 2d.
„ 12. Finding that roasting machine was unsuitable, sold it for £33 cash ; purchd. larger one from M. S. Co., £64.
„ 13. Paid Machine Supply Co. for first machine less 5% cash dis.
„ 14. Sold Royal Tea Co. 56 lbs. " A.B.'s special blend " at 2/-.
Recd. cheq. from James & Co. in settlement less 2½% dis.
„ 15. Purchased 2 bales of Mocha coffee at 192/- per bale, from the Coffee Syndicate, Ltd., and gave them acceptance at 1 month for amount of invoice.
„ 16. Paid from P.C. fine & costs for inaccurate scales, 45/-.
Sold G. Mager 1 cwt. of " A.B.'s pure Coffee," at 94/-.
Paid G. Smith one-half of the advertisement.
„ 17. Drew cheque for £3 4s. 6d. for wages.
Cash Sales for week amounted to £11 16s. 2d.
„ 18. Drew cheque for £10 for private purposes.
(*Total Balances*, £2684 17s.)

**Ex. 2.** Messrs. Alfred Brown and George Robinson are in partnership as cigarette manufacturers, profits and losses shared equally. (1) Int. allowed on partners' capital at 5% per ann. (2) Annual depreciation provided on machinery and plant at 10%, and on fixtures and fittings at 5%. Provision made for bad and doubtful debts at 5%. (4) A reserve of £50 made for the Auditor's fee. The **stock** in hand on Dec. 31, 1904, valued at £6320. Prepare Trading A/c., P. & L. A/c. and B/S.

| **Dr. Balances—** | |
|---|---|
| Brown's drawings with int. | £600 |
| Robinson's do. | 400 |
| Sundry Debtors | 5140 |
| Plant and Machinery | 2360 |
| Fixtures and Fittings | 680 |
| Goodwill A/c. | 500 |
| Stock A/c., 1st Jan. | 6720 |
| Cash in hand | 18 |
| Cash at Bank | 1252 |
| Purchases with Gov. Duty | 19087 |
| Manufacturing Wages | 3402 |
| Salaries | 950 |
| Licenses and Insurance | 54 |
| Returns from Customers | 822 |
| Carr. and Export Charges | 210 |
| **Dr. Balances continued—** | |
| Commission&Traveller'sExs. | £130 |
| Rent, Rates and Taxes | 200 |
| Gas and Water A/c. | 41 |
| Int. and Dis. A/c. | 100 |
| Trade Expenses | 251 |
| Income Tax Sch. D. | 42 |
| Bad and Doubtful Debts | 402 |
| **Cr. Balances—** | |
| Brown's Cap., 1st Jan. | 2400 |
| Robinson's Cap. do. | 1200 |
| Sundry Creditors | 4302 |
| B/P. | 4380 |
| Loan A/c. | 2000 |
| Sales | 28895 |
| Tobacco Returns to Crs. | 184 |

**Answer.**—*Gross Profit* £5368 ; *Net Profit* £2231 ; *Bal. of Cap. : Brown* £3035 10 ; *Robinson* £1975 10. *Total B/S.* £15743.

**Exercise 61.** (*Royal Society of Arts, Intermediate*, 1906.)

**Q. 1.** Henry Barrow keeps his books upon the double entry system. At the periodical stocktaking his book-keeper extracts a T.B., and after adjusting some errors, finds that the total of the debit balances equals the total of the credit balances. Is this agreement an absolute proof that the books are correct in every respect and that no further errors exist ? Give reasons for your answer. What further tests, if any, would you apply ? **Q. 2.** Submit rulings for a Cash Book suitable for a professional man, who keeps no Petty Cash Book but passes both cash and cheque receipts and payments through the same C.B. Make three entries on the debit side and six on the credit side. Close and rule off.

**Ex. 1.** On Jan. 1, 1906, John Smith's **Assets** were :—Stock £342 4 7 ; Freehold Property £1000 ; Furniture and Fittings £92 10 4 : Cash at Bank £25 8 9 : in hand £19 5 2 ; owing by John Bell £38 10 – ; E. Walters £26 2 3 ; Black & Co., £169 10 –. **Liabilities** :—To A. Brown & Co., Ltd., £64 2 – ; W. White & Son £226 7 1 ; B/P. £60 ; Loan due to G. Robinson £50. Open Ledger, showing position as on Jan. 1, and pass to it, through the proper books, the following :—

Jan. 2. Accepted Bill drawn by W. White & Son for the amt. of their A/c. at 3 months.
Sold to John Bell one electrically heated stew pan, £1 19s., two omelet pans at £1 10s. each, three saucepans at £1 10s. each, three hot-water plates at £3 each, one hot-water jug, £1 7s. 6d., and one kettle, £4 5s.
Received from Black & Co. £50 on account.

„ 3. Drew a cheque for £10 for private purposes.

„ 4. John Bell returned one saucepan and one hot-water plate sold to him on Jan. 2, and settled his a/c. as on Jan. 1, less 2½% dis.

5. Sold F. Green 3 electrically heated water cans at 50/- ea., 6 flat irons at 19/6 ea., and 1 glue pot at 27/6.
Bot. from A. Brown & Co., Ltd., five electrically heated Russian coffee machines at £1 17s. 6d. each, six egg boilers at £1 15s. each, three sterilizers at £1 12s. 6d. each, and one convector at £7 15s.

„ 6. Bought for cash two office stools at £1 10s. each.

„ 7. Drew cheque for petty cash and wages £10.
Paid in cash, wages £14 2 6, and salaries £3.
Paid in cash, office expenses 14/10.

„ 9. Bill payable for £60 (due this day) was duly honoured on John Smith's behalf by the bank.
Sundry Cash Sales for week ended Jan. 7, amounting to £27 2 9, paid into the bank.

„ 10. Bought for £3 a carpet for the private office.
Returned to A. Brown & Co., Ltd., two egg boilers and one sterilizer bought from them on Jan. 5.

Jan. 11. Received from Black & Co. the balance of their a/c., dis. at 2½% being allowed on the whole amount due from them on Jan. 1.
„ 12. Returned carpet purchased on Jan. 10 in exchange for a larger one value £4, the difference paid for in cash.
„ 13. Paid cash for repairs to office Desk 7/6.
„ 14. Drew cheque for petty cash £15, and paid wages and salaries as on Jan. 7.
Paid in cash, office expenses £2 7 2.
„ 14. Paid into Bank cash sales for week, £41 15 6.
Paid A. Brown & Co., Ltd., £12 on a/c.
(*Total Balances* £1781 15 4.)

All moneys received were at once paid into the Bank; and (unless stated otherwise) all payments were made by cheque. Balance the a/cs. as on Jan. 14; bring down the balances and extract a T.B. Note that no P. & L. A/c. or B/S. is to be prepared.

**Ex. 2.** Samuel Smith and Robert Brown are partners in a manufacturing business. After providing 5% per ann. int. upon their respective Cap. A/cs. profits or losses are to be shared equally. Adjustments to be made—(1) Plant and Machinery A/c. is to be depreciated by 10%. (2) Furniture & Fittings A/c. 5%. (3) Provision for Bad and Doubtful Debts at 5%. (4) Only three quarters rent have been paid; the quarter's rent due on Dec. 25th, 1905, not having been paid or passed through the books. **Stock** £800. T.B. extracted on Dec. 31 is set out below. Prepare Trading and P. & L. A/cs. and B/S., in which show the partners' a/cs. in detail.

| **Dr. Balances**— | |
|---|---|
| Smith's Drawings (includ'g int) | £450 |
| Brown's do. do. | 400 |
| Stock (1st Jan., 1905) | 750 |
| Furniture and Fittings | 300 |
| Plant and Machinery | 500 |
| Goodwill | 1000 |
| Purchases | 2300 |
| Manufacturing Wages | 520 |
| Carriage | 100 |
| Salaries | 350 |
| Rent | 120 |
| Rates and Taxes | 20 |
| Gas and Water | 30 |
| General Expenses | 270 |
| **Dr. Balances** continued— | |
| Sales Returns | £150 |
| Bad Debts | 80 |
| Cash at Bank | 500 |
| Cash in hand | 20 |
| Sundry Debtors | 2140 |
| **Cr. Balances**— | |
| S. Smith Cap. Jan. 1, 1905 | 2000 |
| R. Brown do. | 1500 |
| Sales | 5400 |
| Purchases Returns | 200 |
| Rent to date for premises sub-let | 20 |
| Res. for Bad & Doubtful Debts | 150 |
| Discount | 10 |
| Sundry Creditors | 720 |

**Answer.**—*Gross Profit* £2580; *Net* £1503; *Bal. of Cap.: Smith* £2401 10, *Brown* £1926 10. *Total of B/S.* £5088.

**Exercise 62.** (*Royal Society of Arts, Intermediate*, 1907.)

**Q. 1.** What system of Book-keeping would you recommend to a trader starting in business? Explain the various books which should be kept, so as to enable him to ascertain in the shortest time and most reliable manner the results of his business operations. **Q. 2.** What is the difference between gross profit and net profit? Illustrate your answer by means of pro forma Trading and P. & L. A/cs. applicable to the business of a Timber Merchant.

**Ex. 1.** The assets and liabilities of W. Brown, wine and spirit merchant, on 31st Dec., 1905, were as follows :—

| | | | |
|---|---|---|---|
| Cash at Bank | £500 | Due to A. Robinson | £90 |
| Cash in hand | 50 | Due to W. Walters | 60 |
| Port Wine, 5 pipes at £60 | 300 | B/P. (A Robinson, due Jan. 6, 1906) | 50 |
| Sherry, 5 butts at £50 | 250 | | |
| Owing by H. Johnson | 50 | | |
| B/R. (J. Smith, due Jan. 12, 1906) | 250 | | |
| Office Furniture | 100 | | |
| | £1500 | | £200 |

On 1st Jan., 1906, a company was formed with a capital of £2500 in £1 Shares, to purchase W. Brown's business, and it was agreed that the purchase price should be an amount equal to his capital in the business on 31st Dec., 1905, to be paid as to £500 in cash, and the balance in fully paid shares, the company taking over all the assets and liabilities of the business. The remaining shares were issued to the public and were duly subscribed, allotted and paid up. Pass the above and the following through the proper books, balance the accounts, bring down the balances and extract a T.B. *Receipts and payments through Bank*, unless otherwise stated.

Jan. 2. Drew cheque for Petty Cash £30.
Sold to H. Johnson 10 doz. of Sherry at 25s. a doz., and 1 pipe of Port at £70.
Bought of W. Glass 30 doz. quart bottles @ 2s. a doz., and 15 doz. pints at 1s. 6d. a doz.

„ 3. Paid cash for Dock charges £2 15 –.
Bought from J. Lewis 10 hogsheads of Brandy at £40, giving him a bill at 2 months, he allowing 2½% dis.
Paid wages and office salaries, drawing and cashing cheque for same, £4.

„ 4. Received from H. Johnson, on a/c. £50.

„ 5. Paid preliminary expenses in connection with the formation of the Company, including legal charges, £100.

„ 6. Bought of A. Robinson 2 pipes of Port at £55, and 6 10-gallon casks of Whisky at £8 a cask.
Bill payable (A. Robinson) paid by Bank, £50.

„ 7. Paid W. Walters' account, less 2½% discount.

„ 8. Paid cash for repairs to cellar door £10 9s. 8d.

„ 9. Drew cheque for Petty Cash £5.

„ 10. Paid wages and office salaries, drawing and cashing cheque for same, £6.

„ 10. Recd. cheq. from H. Johnson in settlement of a/c., less 5% dis. on the whole of his purchases from Jan. 1.
Paid J. Smith's Bill for £250 to the Bank.

„ 12. B/R. given by J. Smith for £250 returned dishonoured.

„ 14. Sold to T. Kino 3 doz. Whisky at 39s., 2 doz. Port at 44s., 5 doz. Sherry at 25s., 3 doz. Brandy at 60s.
(*Total Balances*, £3153 12 6.)

**Ex. 2.** Messrs. George Elliott and Philip Barker are partners in a manufacturing business. After providing 5% per ann. int. upon their Cap. A/cs., profits and losses are to be shared in the

proportion of George Elliott three-fourths, and Philip Barker one-fourth. Before closing the books as on 31st Dec., 1906, the following further adjustments have to be made. (1) Depreciate Plant and Machinery A/c. 10%. (2) Depreciate Furniture and Fittings A/c. 5%. (3) Provide 5% on Bad and Doubtful Debts. (4) One quarter's rent to be reserved for, only three-quarters having been paid during the year. (5) £25 owing for Trade Exs. has not been passed through the books. (6) **Stock**, valued at £1250. Prepare Trading and P. & L. A/cs. and B/S., showing the Partners' A/cs. in detail in the B/S.

| **Dr. Balances**— | |
|---|---|
| Elliott's Drawings with Int. | £317 |
| Barker's do. | 133 |
| Furniture and Fittings ..... | 550 |
| Plant and Machinery ..... | 750 |
| Stock, 1st Jan., 1906 ..... | 950 |
| Office Expenses ..... | 250 |
| Trade Expenses ..... | 150 |
| Wages (manufacturing) .... | 900 |
| Salaries ..... | 425 |
| Carriage ..... | 125 |
| Purchases ..... | 1680 |
| Returned Sales ..... | 125 |
| Bad Debts ..... | 80 |
| Rent ..... | 120 |
| **Dr. Balances** continued— | |
| Rates, Taxes ..... | £40 |
| Gas and Water ..... | 25 |
| Sundry Debtors ..... | 1250 |
| Cash at Bank ..... | 300 |
| Cash in hand ..... | 130 |
| **Cr. Balances**— | |
| Elliott's Capital, 1st Jan. ... | 3000 |
| Barker's do. ... | 1000 |
| Returned Purchases..... | 150 |
| Sales ..... | 3390 |
| Interest and Discount ..... | 35 |
| Res. Bad & Doubtful Debts | 45 |
| Sundry Creditors ..... | 680 |

**Answer.**—*Gross Profit* £1010; *Net Loss* £430; *Bal. of Cap.*: *Elliott* £2510 10, *Barker* £809 10; *Total of B/S.* £4065.

**Exercise 63.** (*Royal Society of Arts, Intermediate*, 1908.)

**Q. 1.** On which side of the Ledger would you expect to find the balance of the undermentioned a/cs. ? Give a brief reason in each case :—(*a*) Reserve for Bad and Doubtful Debts. (*b*) Goodwill a/c. (*c*) Suspense a/c. for Insurance paid in advance. (*d*) Freehold Property a/c. **Q. 2.** Explain the following :—"Reserve Fund," "Rebate," "Sinking Fund," "Depreciation."

**Ex. 1.** John Druce, a cycle dealer, had on 31st December, 1907, the following assets and liabilities.

| | | | |
|---|---|---|---|
| Furniture and Fittings ..... | | £120 | |
| Bills Receivable due 1908 :— | | | |
| A. Graves, due 9th Jan.. | £75 | | |
| B. Walters, due 10th Jan. | 125 | 200 | |
| Owing by :—A. Brown ... | 25 | | |
| J. Smith £4b ; A. Graves | 20 | | |
| B. Walters £10; M. Robinson | 105 | | |
| Cash at Bank, £300 ; on hand.. | | £25 | |
| Stock ..... | | 650 | |
| Due to H. Sweeting ..... | | 150 | |
| ,, A. Fisher ..... | | 75 | |
| Bills Payable due 1908 :— | | | |
| S. Unwin, due 6th Jan. .... | | 90 | |
| F. Lord, due 8th Jan..... | | 85 | |

John Druce agreed to take M. Robinson into partnership conditionally on the amount owing by him to John Druce on 31st December, 1907, being paid at once ; and also upon his bringing into the business, in cash, the same amount of capital as was standing to the credit of John Druce's Capital A/c. at this date ; one-half of this latter amount was to be paid out in cash, by way of premium, to John Druce and was to appear in the books of

the partnership as Goodwill. These conditions were duly carried out as on 1st January, 1908. Pass the above and the following through the proper books, balance the a/cs., as on 11th Jan., bring down the balances; extract T.B. *All moneys received paid at once into the Bank.*

Jan. 1—Bought of H. Sweeting 1 doz. bicycle frames at 15s. each; Bought for cash 4 dozen wooden crates at 3s. each. Jan. 2—Sold A. Brown 3 bicycles at £7 10s. 0d. each, one of which was returned on 3rd Jan. Jan. 3—J. Smith paid his a/c., deducting £2 for bicycle damaged in transit; Sold B. Walters 2 bicycles at £8 8s. 0d. each, charging him with 2 crates at 3s. 6d. each; Bought of A. Fisher 6 pairs of wheels at 30s. a pair and job lot of accessories for £5. Jan. 4—Paid office salaries and wages, drawing and cashing a cheque for same £6 10s. 0d.; each partner drew out in cash £3 on private a/c. Jan. 6—Paid A. Fisher by cheque £25 on a/c.; Bill payable (S. Unwin), due this day, paid by bank; Sold J. Smith one bicycle for £7 10s. 0d., upon which he paid £2 on a/c. Jan. 7—Bought for cash two second-hand bicycles at 15s. each, one of which was sold for cash same day tor 25s.; Cashed cheque for £10 for petty cash purposes. Jan. 8—Bill payable (F. Lord), due this day, paid by bank; B. Walters paid the balance of his a/c. as on this day, deducting 5% dis., which was disallowed. Jan. 9—B/R. given by A. Graves returned dishonoured; a new bill at one month being given for the whole of his a/c.; Sold to B. Walters 20 brakes at 2s. each and 6 lamps at 5s. each; Bought of F. Lord 6 doz. lamps at 3s. each. Jan. 10—Bill Receivable B. Walters duly met; Sold A. Graves a second-hand bicycle for 30s. Jan. 11—Paid office salaries and wages by cheque £6; Each partner drew in cash £3 for private purposes; A. Brown accepted a bill at 3 months drawn upon him for the balance owing by him at this date. (*Total Balances*, £2487 4 –.)

**Ex. 2.** The authorised Capital of a Manufacturing Co. consists of 15000 Ordinary Shares of £10 each. Prepare Trading and Profit & Loss A/cs. for the year ended 31st Dec., 1907, and a B/S. as on that date. Charge Depreciation on Land and Buildings at 3% per ann., and on Machinery & Plant at 6%. Make a reserve of 5% on the Sundry Debtors for Bad Debts; write down Patents by 10%; carry forward £90 of Insurance; and charge £500 as Directors' Fees. **Stock** as on 31st December, 1907, agreed at £23700. Charge 10% on net profits as remuneration to Managing Director, and appropriate £2500 to Reserve A/c., carrying forward balance.

| | |
|---|---|
| **Dr. Balances—** | |
| Stock (1st January, 1907).. | £32000 |
| Cash in hand ..... | 150 |
| Cash at Bank ..... | 2900 |
| Purchases ..... | 52350 |
| Sale Returns ..... | 400 |
| Manufacturing Charges ... | 11500 |
| Manufacturing Wages .... | 28550 |
| Salaries ..... | 1500 |
| Trade Expenses ..... | 6850 |
| Rates and Taxes ..... | 250 |
| Insurance..... | 190 |
| General Expenses ..... | 2640 |
| Discounts (balance) ..... | 1800 |
| Bad Debts ..... | 570 |
| **Dr. Balances continued—** | |
| Interest and Bank Charges. | £350 |
| Land and Buildings ..... | 22250 |
| Machinery and Plant ..... | 35600 |
| Sundry Debtors ..... | 52500 |
| Patents ..... | 5000 |
| **Cr. Balances—** | |
| Capital Issued and fully paid up 9000 shs. of £10 each | 90000 |
| Sales ..... | 136500 |
| Purchases Returns ..... | 750 |
| Sundry Creditors ..... | 21750 |
| Bad Debts Res.(1 Jan.,1907) | 2600 |
| P. & L. (bal. 31 Dec., 1906) | 750 |
| Reserve ..... | 5000 |

**Answer.**—*Gross Profit*, £36,150; *Net Profit*, £18,261 10 –; *Total B/S.* £136,261 10 –.

**Exercise 64.** (*Royal Society of Arts, Intermediate*, 1909.)

**Q. 1.** Explain briefly the following :—Goodwill, Dead Rent, Bill of Lading, Bill of Sale, Letter of Credit. **Q. 2.** Which of the balances of the following a/cs. would you expect to find in the B/S., which in the Trading A/c., and which in the P. & L. A/c. ? Give your reasons in each case. (*a*) Machinery repairs and renewals. (*b*) Discounts allowed. (*c*) Unexpired proportion of apprentice premiums. (*d*) Transfer fees. (*e*) Unclaimed dividends. (*f*) Stock of goods and materials on hand.

**Ex. 1.** J. Bennett & Co., Ltd., had on 31st December, 1908 :—

| | |
|---|---|
| **Dr. Balances—** | |
| Cash at Bank ..... | £1000 |
| Bills Receivable due 1909 :— | |
| W. Cox, due 5th Jan. ..... | 250 |
| J. Cooper & Co., due 7th Jan. | 250 |
| DEBTORS :—Thomas Green .. | 100 |
| W. Cox..... | 50 |
| J. Cooper & Co. ..... | 150 |
| A. Black & Co., Ltd. | 250 |
| J. Jones ..... | 300 |
| Cook & Co. ..... | 1050 |
| **Dr. Balances continued—** | |
| Stock ..... | £3000 |
| Buildings ..... | 6000 |
| **Cr. Balances—** | |
| Ordinary Share Cap. ..... | 5000 |
| Preference Share Cap. ..... | 5000 |
| CREDITORS :—J. Jinks..... | 200 |
| F. Flint ..... | 800 |
| J. Smith ..... | 150 |
| Johnson & Co. | 250 |
| Profit & Loss A/c. ..... | 1000 |

Pass the above and the following through the proper books, balance the A/cs. as on 11th January, 1909; bring down the balances; extract T.B. *All moneys received paid at once into the bank.*

Jan. 1—Drew and cashed petty cash cheque £5; Sold W. Cox 120 yds. of Silk at 5s. 6d. per yd. Jan. 2—Accepted bills drawn by F. Flint, viz. : three for £250 each drawn at one mo., two mos., and three mos., respectively; Paid Flint the balance of his a/c. by cheque, deducting 2½% dis. on the whole a/c. as on 31st December, 1908; Bought for £4 10s. 0d. a parcel of silk; Drew and cashed cheque for petty cash and wages £15; Paid wages in cash £12 10s. 0d. Jan. 4—Received from J. Cooper & Co., £50 on a/c.; Sold Thomas Green 20 yds. of Irish Linen at 3s. per yd.; Bought of F. Flint 75 yds. of Irish Linen at 2s. per yd. Jan. 5—Received fees on transfer of shares 10s.; Paid by

cheque, Tool & Co., £47 10s. 0d. repairs to bldgs. ; W. Cox's bill due and paid to bankers. Jan. 6—Sold A. Black & Co. 150 yds. of black silk, at 10s. per yd. ; A. Black & Co. paid the whole of their a/c. less 5% dis. Jan. 7—J. Cooper & Co.'s bill due but not met. Two new bills of equal amount given at one mo. and three mos. respectively to cover the whole amount due from them. Jan. 8—Bot. of J. Jinks 9 pcs. velvet, 40 yds. each, 8/6 per yd. ; Received of Cook & Co. £250 on a/c. ; Recd. first and final dividend 5s. in £ on Green's a/c. Jan. 9—Paid, in cash, carriage a/c., 30s. ; Paid, by cheque, legal expenses £7 10s. 0d. ; Purchased postage stamps, £2 ; Paid, by cheque, stationery a/c., £1 15s. 0d. ; Drew and cashed cheque for petty cash and wages, £17 10s. 0d. ; Paid wages in cash £14. Jan. 11—Received of J. Jones the amount of his a/c. less 2½% ; Paid J. Smith the amount of his a/c. less a dis. of 2½%, after taking into consideration an allowance made by him of £10 for short delivery of goods. (*Total Balances*, £12505 10 –.)

**Ex. 2.** From the following T.B. extracted from the books of J. & J. Robinson, prepare Trading and P. & L. A/cs. for the year ended 31st December, 1908, and B/S. as on that date. Charge Depreciation on Land and Buildings at 2½%, on Plant and Machinery at 10%, and on Furniture and Fixtures at 10%. Make a reserve of 5% on Sundry Debtors for Bad Debts. Carry forward the following unexpired amounts :—(1) Fire Insurance £12 7 2 ; (2) Rates and Taxes £24 2 6 ; (3) Apprentice Premiums £40. Charge 5% Int. on Cap. but not on Drawings. Profits and Losses to be shared in the following proportions :—James Robinson, five-ninths, Joshua Robinson four-ninths. **Stock** as on 31st December, 1908, £2939 9s. 3d.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Jas. Robinson's Drawings A/c. | £437 | 10 | – |
| Joshua Robinson's do. | 246 | 11 | 7 |
| Land & Buildings | 2500 | – | – |
| Plant & Machinery | 1426 | 17 | 7 |
| Furniture & Fixtures | 125 | 8 | 4 |
| Carriage | 437 | 1 | 4 |
| Wages (Manufacturing) | 2147 | 6 | 1 |
| Salaries | 467 | 10 | – |
| Sales Returns | 176 | 2 | 7 |
| Bank Charges & Interest | 14 | 4 | 6 |
| Coal, Gas, & Water | 72 | 1 | 7 |
| Rates and Taxes | 84 | 7 | 6 |
| Purchases | 4216 | 17 | 2 |
| Bills Receivable | 127 | 10 | – |
| Trade Expenses | 49 | 7 | 9 |
| **Dr. Balances continued—** | | | |
| Sundry Debtors | £3781 | 15 | 9 |
| Stock (31st Dec., 1907) | 2642 | 14 | 8 |
| General Expenses | 149 | 1 | 5 |
| Fire Insurance | 49 | 15 | – |
| Cash at Bank & in hand | 1344 | 4 | 10 |
| **Cr. Balances—** | | | |
| Jas. Robinson's Cap. A/c. | 5000 | – | – |
| Joshua Robinson's do. | 4000 | – | – |
| Bad Debts Res. (31. 12. 1907) | 247 | 6 | 2 |
| Sales | 9122 | 16 | 9 |
| Discount A/c. (balance) | 12 | 7 | 6 |
| Purchases Returns | 846 | 2 | 2 |
| Sundry Creditors | 1217 | 15 | 1 |
| Apprentice Premium | 50 | – | – |

**Answer.**—*Gross Profit* £3288 6 4 ; *Net* £1851 5 7 ; *Bal. of Cap. James*, £5840 19 9 ; *Joshua*, £4776 4 3. *Total of B/S.* £11874 19 1.

**Exercise 65.** (*Royal Society of Arts, Intermediate*, 1910.)

**Q. 1.** State what is meant by the terms (*a*) "Nominal Accounts" and (*b*) "Personal Accounts." What is the name of the class to which A/cs other than the foregoing may be said to belong ? Give an example of each (containing three debit and

three credit entries). **Q. 2.** How would you construct a "Trial Balance?" Give two examples of errors which might occur in "writing up" a set of books, without affecting the "agreement" of the Trial Balance.

**Ex. 1.** A. Day and B. Comet were equal in capital and partnership as engineers and founders on the 31st Dec., 1909.

| Assets. | | Liabilities. | |
|---|---|---|---|
| Stock-in-trade | £1342 | Due to:—Roberts Bros. | £311 |
| Furniture & Fittings | 264 | W. Brown, Son & Co. | 140 |
| Plant & Machinery | 1547 | Robinson & Co. | 113 |
| Cash at Bank £305, in hand | 8 | J. Green & Son | 156 |
| Bills Receivable due 1909:— | | | £720 |
| The Gas Engine Co., due 4 Jan. | 142 | Bills Payable due 1909:— | |
| J. Smith & Co., due 8th Jan. | 74 | J. Green & Son, due 6 Jan. | 100 |
| Owing by:—J. Smith & Co. | 172 | Roberts Bros., due 1 Feb. | 169 |
| The Gas Engine Co. | 22 | | 269 |
| W. Owen | 177 | A. Day Loan A/c. | 500 |
| J. Jones & Sons | 285 | A. Day Interest A/c. | 11 |
| R. Black | 162 | | |

Open Ledger A/cs., showing position of firm on 31st Dec., 1909, and pass to it, through the proper books, the following: balance the A/cs. as on 10th Jan., 1910, bring down the balances and extract a Trial Balance. *All moneys received were at once paid into the Bank.*

Jan. 1—Drew and cashed cheque for petty cash and wages £15; Paid wages in cash £16; Paid each partner his week's salary of £3 in cash. Jan. 3—W. Owen paid his a/c., less 2½% dis., and gave an order for a machine to cost £75; Bot of Robinson & Co., 6 tons pig iron at 51s. 2d. a ton. Jan. 4—Gas Engine Co.'s Bill became due, but not met. A new Bill given at one month for the whole of their a/c.; Paid Robinson & Co., the amount of their a/c. as on 31st Dec., less 2½% dis., after taking into consideration an allowance of £5 for imperfect goods supplied. Jan. 5—J. Jones & Sons paid £100 on a/c.; Bot. of J. Green & Son, 5 cwt. sheet copper at £78 a ton. Jan. 6—Sold R. Black 1 ton of pig iron at 56s. a ton, and charged him in addition 10s. for cartage; J. Green & Son's Bill became due and was duly met. Jan. 7—Sold J. Jones & Sons 3 cutting machines at £24 each; Sold J. Smith & Co. 2 cwt. of sheet copper at £83 a ton; Paid by cheque the amount due (on 31st Dec., 1909) to A. Day for interest; Bought for cash 12 gallons of oil at 1s. 3d. per gallon. Jan. 8—Paid wages £13, a cheque for this amount being drawn and cashed for the purpose; Paid each partner his week's salary by cheque; J. Smith & Co.'s Bill became due and was duly met. Jan. 10—Bought of Roberts Bros. 10 tons of coal at 12s. a ton, and paid them (by cheque) £150 on a/c.; Sundry Cash Sales to date £31; Drew and cashed cheque of £5 for Petty Cash purposes; Accepted W. Brown, Son & Co.'s Bill for £140 at 3 mos. (*Total Balances*, £4289 3 -.)

**Ex. 2.** The Brown Box Co., Ltd., had a Nominal Capital of £10000, divided into 5000 Ordy. Shares of £1 each and 5000 6% Pref. Shares of £1 each. Prepare Trading and P. & L. A/cs

and B/S. for the year ended 31st Dec., 1909. Depreciation: Land and Buildings 2½% per ann., Furniture & Fixtures 5% per ann., Plant & Machinery 10% per ann. Make the Bad Debt Reserve up to £400. Carry forward the following unexpired amounts:—Insurance £9 7 6, Rates & Taxes £17 8 2. Stock, 31st Dec., 1909, £1721 17 3.

| Dr. Balances— | | | |
|---|---|---|---|
| Freehold Land & Bldgs. | £3700 | – | – |
| Furniture & Fixtures.. | 946 | 6 | 10 |
| Stock, 31st Dec., 1908 | 1929 | 14 | 7 |
| Plant & Machinery ... | 1727 | 10 | 2 |
| Rates & Taxes ..... | 87 | 14 | 1 |
| Carriage ..... | 422 | 4 | 8 |
| Trade Expenses ..... | 39 | 1 | 1 |
| Lighting & Heating Exs. | 72 | 2 | 6 |
| General Expenses .... | 127 | 16 | 10 |
| Pref. Share Dividend (paid during the year) | 171 | – | – |
| Ordy. Share Dividend (paid during the year) | 114 | – | – |
| Manufacturing Wages | 2014 | 1 | 9 |
| Salaries ..... | 505 | 14 | 8 |
| Sales Returns ..... | 101 | 2 | 10 |
| Insurance..... | 39 | 1 | 2 |

| Dr. Balances continued— | | | |
|---|---|---|---|
| Directors' Fees ..... | £50 | – | – |
| Purchases ..... | 4129 | 16 | 8 |
| Sundry Debtors ..... | 3764 | 17 | 10 |
| Bank Charges ..... | 10 | 2 | 1 |
| Cash at Bank ..... | 822 | 5 | 7 |
| Cash in hand ..... | 63 | 2 | 1 |
| **Cr. Balances—** | | | |
| Ordinary Share Capital | 4800 | – | – |
| Preference Share Capital | 3000 | – | – |
| Discount A/c. (balance) | 13 | 2 | – |
| Bad Debts Res., 31 Dec., 08 | 188 | 14 | 8 |
| Sales .....10124 | 14 | 2 | |
| Purchases Returns ... | 94 | 12 | 4 |
| Sundry Creditors ..... | 2144 | 5 | 1 |
| P. & L. A/c. (Balance 31st Dec., 1908) .... | 472 | 7 | 2 |

**Answer.**—*Gross Profit* £3344 3 3; *Net Profit* £1928 11 10; *Total B/S.*, £12060 4 1.

**Exercise 66.** (*Royal Society of Arts, Intermediate*, 1911.)

**Q. 1.** What is a Bill of Exchange? Briefly explain the following terms in connection with bills:—"Endorsing over," "Allonge," "Noting," "Renewed," "With documents attached." **Q. 2.** Give an analysed form of Sales Book, and enter therein five transactions relating to the sale of cotton prints, velvet, silk, and fancy goods.

**Ex. 1.** Wm. Bennett, wholesale and retail hosier and hatter, had on 31st Dec., 1910, the following Ledger Balances:—

| Assets. | | |
|---|---|---|
| Stock ..... | £1127 | |
| Furniture and Fittings ..... | 164 | |
| Plant & Machinery ..... | 83 | |
| Cash at Bank £221; in hand | 30 | |
| Bills Receivable due 1911:— | | |
| Roberts & Co. (due 6th Jan.) | 37 | |
| W. Lea (due 14th Feb.) ..... | 79 | |
| Sundry Debtors:— | | |
| H. Sheppard & Sons ..... | 92 | |
| A. White & Co., Ltd..... | 42 | |
| Roberts & Co. £17; W. Lea | 8 | |

| Liabilities. | | |
|---|---|---|
| Bills Payable due 1911:— | | |
| S. Dove (due 7th Jan.) .....£211 | | |
| Robinson & Co. (due 17th Jan.) | 49 | |
| Sundry Creditors:— | | |
| Robinson & Co. ..... | 34 | |
| A. Green & Co., Ltd. ..... | 93 | |
| S. Dove ..... | 117 | |
| Brown Bros., Ltd. ..... | 122 | |
| Elliott & Co. ..... | 47 | |

He agreed to take his manager, H. Burns, into partnership as from 1st Jan., 1911, on condition that he brought in £500 cash, and paid Bennett £250 for a third share of the profits. Burns paid these two amounts on 2nd Jan. Open the Ledger a/cs. of the new firm, and post, through the proper subsidiary books, the following transactions; balance the a/cs. as on 10th Jan., bring down the balances and extract a T.B. *All Purchases and Sales were on credit, unless the contrary is stated, and all moneys received were paid into bank.*

Jan. 2—Sold to W. Lea, 1 gross of Tweed caps at 18s. 6d. per doz.; Bought, for cash, job line of felt goods for £5. Jan. 3—A.

White & Co., Ltd., paid their a/c., less 2½% dis.; H. Sheppard & Sons gave a bill for £50 at 3 months; Bought of Robinson & Co., 3 doz. Oxford shirts at 28s. 11d. per doz., and 2 doz. heather mixture half-hose at 8s 6d. per doz. Jan. 4—Bought of A. Green & Co., Ltd., 6 doz. linen handkerchiefs, 3 doz. ladies' at 7s. 9d. per doz., and 3 doz. gents' at 8s. 3d. per doz. Jan. 5—Paid by cheque, S. Dove £50 on account. Cash Sales £37. Jan. 6—Renewed Roberts' bill, which was due, but was not met; Sold A. White & Co., Ltd., 9 felt hats at 37s. per doz., and 3 only, silks, 7s. 9d., 10s. 6d., and 12s. 3d. each. Jan. 7—S. Dove's bill due, and met; W. Lea paid his a/c. as on 31st Dec., 1910, less 2½% dis.; Roberts & Co. paid their a/c., less an allowance of £3 for imperfect goods; Paid, by cash, wages £15 and carriage £2. Cash Sales £49. Jan. 9—Paid Elliott & Co. £25 on a/c., and bought from them 2 doz. saddlers' braces at 15s. 6d. per doz.; A. Green & Co. "drew on us" at 3 months for £90, which was duly accepted; Bought of S. Dove, 10 doz. Burlington collars at 6s. 3d. per doz. Jan. 10—Sold H. Sheppard & Sons, 3 doz. Tweed hats at 21s. per doz., 6 doz. boys' caps at 7s. 9d. per doz.; Sold W. Lea, 1½ doz. felts at 42s. per doz.; Cash Sales, £31. (*Total Balances*, £2265 18 –.)

**Ex. 2.** From the T.B. extracted from the books of John Pearson and Allan Macgregor, Corn Dealers, prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1910. Profits and Losses to be shared two-thirds by Pearson and one-third by Macgregor. **Adjustments** to be Journalised:—(*a*) Interest at 5% per ann. to be charged on Capital, but not on Drawings, (*b*) Depreciation to be charged:—Fixtures & Fittings 5%; Plant & Machinery 10%; Horses & Carts 15%; (*c*) Bad Debts Reserve to be made up to £500. (*d*) Only three-quarters rent had been paid on 31st Dec., and no reserve had been passed through the books for the quarter owing. (*e*) Unexpired amounts to be carried forward:—Rates & Taxes £14 8s. 7d.; Insurance £7. **Stock**, £2994 14s. 7d.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Repairs & Renewals .. | £248 | 2 | 1 |
| Plant & Machinery ... | 847 | 10 | – |
| Sales Returns ..... | 742 | 7 | 8 |
| Stock, 31st Dec., 1909 | 2721 | 14 | 1 |
| Bad Debts ..... | 89 | 4 | – |
| Carriage ..... | 1421 | 10 | 7 |
| Travelling Expenses .. | 156 | 14 | 2 |
| Stable Expenses ..... | 192 | 1 | 4 |
| Purchases ..... | 13728 | – | 6 |
| Bills Receivable ..... | 929 | 1 | 1 |
| Wages ..... | 1646 | 13 | 10 |
| Salaries ..... | 346 | 2 | 3 |
| John Pearson, Drawings | 650 | – | – |
| AllenMacgregor, Drawings | 300 | – | – |
| Water, Gas, etc. ..... | 126 | 2 | 7 |
| Rent ..... | 150 | – | – |
| Insurance ..... | 30 | 5 | 2 |
| Trade Expenses ..... | 197 | 18 | 1 |

| **Dr. Balances continued—** | | | |
|---|---|---|---|
| General Expenses .... | £203 | 1 | 2 |
| Sundry Debtors ..... | 5771 | 4 | 1 |
| Horses & Carts ..... | 356 | 14 | 11 |
| Rates & Taxes ..... | 127 | 4 | 6 |
| Fixtures & Fittings ... | 375 | 8 | 9 |
| Commission ..... | 62 | 12 | 7 |
| Cash in hand ..... | 46 | 7 | 1 |
| **Cr. Balances—** | | | |
| John Pearson, Capital | 6000 | – | – |
| Allan Macgregor, Capital | 3000 | – | – |
| Sales ..... | 19947 | 18 | 9 |
| Cash Sales ..... | 384 | 2 | 9 |
| Purchases Returns ... | 757 | 16 | 5 |
| Reserve for Bad Debts | 150 | – | – |
| Discounts ..... | 4 | 9 | 7 |
| Sundry Creditors ..... | 1099 | 10 | 10 |
| Bank Balance ..... | 122 | 2 | 2 |

**Answer.**—*Gross Profit*, £3824 5 10; *Net*, £913 15 5; *Bal. of Cap., J.P.* £6259 3 7; *A.M.* £3154 11 10. *Total B/S.* £10685 8 5.

**Exercise 67.** (*Royal Society of Arts, Intermediate*, 1912.)

**Q. 1.** What is a *negotiable instrument?* What is the effect of marking a document *not negotiable?* **Q. 2.** Briefly explain the purposes for which the Journal is employed in an *up-to-date* counting-house. Journalise the following :—(*a*) On 18th Jan., 1912, Peter Sykes exchanged, with Peter Blair, a motor-car valued at £350, giving him a dog-cart, valued at £150, and two horses valued at £100 each. (*b*) On 19th Jan., 1912, John Smith returned damaged goods, invoiced at £10 14s. 6d., to Andre Gammon. His book-keeper entered the transaction in the Sales Journal, in error.

**Ex. 1.** George Norman and Robert Carter are Wholesale and Retail Grocers, the former's Capital being twice that of the latter. On 31st Dec., 1911, in addition to the partners' balances, the following appeared in their Ledgers :—**Assets:** Cash in hand £47 ; Cash at Bank, £482 ; Stock, £870 ; Fixtures, Fittings & Utensils, £247 ; Horse & Vehicles, £155. Sundry Debtors :—J. Morley, £68 ; A. Barnes, £23 ; R. Foster, £29 ; S. Middleton, £35. **Liabilities :** Sundry Creditors :—J. Harris & Sons, £50 ; W. Clark, £55 ; Evans Lloyd & Co., £64 ; W. Newton, £15 ; Reserve for Rent (due 25th Dec., 1911), £50. Enter in the Ledger the foregoing particulars, and pass through the books the transactions from **Jan. 1st to 8th, 1912.** Balance the a/cs., bring down the balances, and extract a T.B. All purchases and sales were on credit, unless the contrary is stated.

Jan. 1—Paid into Bank, £30 ; Recd. from J. Harris & Sons, 3 cwt. of sugar at 13s. 6d. ; Recd. from W. Clark, 20 cases of preserved fruit at 9s. 6d. per doz. tins (each case contained 2 doz. tins). Jan. 2—Sold to A. Barnes 50lbs. tea at 1/4 per lb., and charged him 3/- for boxes ; Accepted 3 mos. bill from J. Harris & Sons for £50 ; Cash Sales for the past two days were £77. Jan. 3—Received cheque, which was paid into Bank, from S. Middleton, in settlement of his a/c., less 5% dis. ; Cash Sales for the day £27. Jan. 4—Paid Rent (due 25th Dec., 1911), by cheque ; Sold to R. Foster, 12 cases of "X.L." Sauce at 3/3 per doz. bottles (each case contained 2 doz. bottles) ; Returned to W. Clark, 1 case of preserved fruit, delivered on the 1st inst.—goods faulty. Jan. 5—J. Morley accepted a one month's bill, drawn on him for £40 ; Cash Sales for the past two days were £83. Jan. 6—Sold to S. Middleton 1 gross tins Cocoa at 6/- per doz. tins ; Recd. from Evans Lloyd & Co., 30 kegs of butter, containing in all 4 cwts., at 86s. per cwt. ; The Bank discounted J. Morley's bill, charging 3¾% ; Sent Credit Note for 3/- to A. Barnes for boxes returned ; Paid Wages £13 10s. in cash ; Cash Sales for the day were £46. Jan. 8—Paid by cheque W. Newton's a/c. as on 31st Dec., 1911, less 2½% ; George Norman drew in cash £7, & Robert Carter £3 10s. ; Pd. by cheq., Evans Lloyd & Co.'s a/c. as on 31st Dec., 1911, less 2½% ; Paid all cash in hand on this date, with the exception of £10 retained for Petty Cash purposes, into Bank. (*Total Balances*, £2111 3 8.)

**Ex. 2.** The X Manufacturing Co., Ltd., had a Nominal Capital of £75000 divided into 5000 Ordinary Shares of £10 each, and 25000 6% Preference Shares of £1 each. Prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1911. Depreciation :—Patents 10%, Buildings 3% per ann., Plant & Machinery 6% per ann. Credit a further reserve of ½% on gross Sales to the Bad Debt Reserve A/c. Reserve 2½% on Debtors for Discount. Reserve £250 for Directors' Fees. Appropriate £2000 to Reserve A/c. **Stock**, 31st Dec., 1911, £11420 8s.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Stock, 1st Jan., 1911 | £16200 | 4 | 3 |
| Cash | 106 | 2 | – |
| Bank | 3196 | 13 | – |
| Purchases | 25123 | 7 | – |
| Returns Inwards | 901 | 7 | 9 |
| Manufacturing Exs. | 5314 | 2 | – |
| Manufacturing Wages | 13210 | – | – |
| Salaries | 1525 | – | – |
| Travellers' Salaries, .. Commission & Exs. | 3210 | – | – |
| Rates and Taxes | 210 | – | – |
| Insurance | 70 | – | – |
| General Expenses | 1420 | – | – |
| Discount | 1283 | 2 | – |
| Bad Debts | 280 | – | – |
| Interest & Bank Charges | 87 | – | – |
| Land & Buildings | 10000 | – | – |
| **Dr. Balances continued—** | | | |
| Machinery & Plant | £17000 | – | – |
| Debtors | 28397 | 4 | 2 |
| Patents | 3000 | – | – |
| Pref. Dividend Paid | 706 | 5 | – |
| Interim Ordy. Div. Paid | 900 | – | – |
| **Cr. Balances—** | | | |
| Ordy. Share Cap. A/c. | 30000 | – | |
| Pref. Share Cap. A/c. | 25000 | – | |
| Sales | 63200 | 4 | 8 |
| Returns Outwards | 308 | 17 | 6 |
| Discount | 578 | 3 | – |
| Creditors | 9843 | 2 | – |
| Bad Debts Res. 1 Jan., 11 | 400 | – | – |
| P. & L. A/c. (Balance 31st Dec., 1910) | 810 | – | – |
| Reserve A/c. | 2000 | – | – |

**Answer.**—*Gross Profit*, £14180 9 2; *Net Profit*, £3795 9 7; *Bal. of Appropriation A/c.*, £999 4 7; *Total of B/S.*, £70092 6 7.

**Exercise 68.** (*Royal Society of Arts, Intermediate*, 1913.)

**Q. 1.** Rule the form of Sales Journal and Cash Book of a firm using Town and Country Self-Balancing Ledgers. The Sales Journal should also provide for the analysis of the Sales as between three departments. State how and where the items entered in each book should be posted. **Q. 2.** What portions of the Salaries and Wages should be charged to the "Trading Account" and what to the "Profit & Loss Account" in the business of a Manufacturer? Name some items of expenditure which may occur in the same business, which should be charged to Capital.

**Ex. 1.** B/S. of Smith & Co., Ltd., Grocers, on 31st Dec., 1912 :—

| **Liabilities.** | | |
|---|---|---|
| Capital :—Nominal :— 6000 Shares of £1 ea. | £6000 | |
| 5000 Shares of £1 each issued and paid up | | 5000 |
| Sundry Creditors :— | | |
| Rent | £120 | |
| Income Tax | 62 | |
| H. Bell | 75 | |
| T. Burton | 33 | |
| R. Lawson | 60 | |
| | | 350 |
| Bills Payable :— | | |
| A. Scott | | 40 |
| Profit & Loss A/c. | | 907 |

| **Assets.** | | |
|---|---|---|
| Buildings (leasehold) | £1000 | |
| Fixtures, Fittings and Furniture | | 472 |
| Sundry Debtors :— | | |
| H. Falconer | £153 | |
| T. Cave | 71 | |
| N. Carver | 149 | |
| V. Row | 27 | |
| | | 400 |
| Stock on hand | | 3023 |
| Bill Receivable :— | | |
| G. Watson | | 100 |
| Cash :— | | |
| At Bank | 1252 | |
| In hand | 50 | |
| | | 1302 |

Open Ledger A/c. and post, through the proper subsidiary books, the following transactions; balance the a/cs. as on 8th Jan., 1913, bring down the balances, and extract a T.B. *All purchases and sales were on credit, excepting where the contrary is stated. All cheques received were paid into the Bank.*

Jan. 1—Received cheque from T. Cave, for the bal. of his a/c., less 2½% dis.; Purchased from A. Scott, 1 gross 1-lb. jars of Marmalade at 4s. per doz.; Sold to N. Carver, 10 cwt. of Beet Sugar at 9s. 6d. per cwt. Jan. 2—Paid by cheques, Rent and Income Tax, owing on 31st Dec., 1912; Paid carriage by cash, £3 2s. 4d.; Recd. from H. Falconer, 3 months' acceptance, dated 2nd Jan., for £100; and discounted same with Bank, the Bank Charges being £1 0s. 4d. Jan. 3—Sold to V. Row, 56lbs. of Tea at 1s. 1d. per lb.; T. Cave's cheque (recd. on 1st inst.) was retd. by the Bank, marked R/D. Jan. 4—Purchased from R. Lawson, 2 gross tins of Preserved Pears at 6s. 6d. per doz.; Cash Sales £8 19s.; Paid T. Burton, by cheque, the bal. of his a/c. less 2½% dis. Jan. 5—Recd. cheque from N. Carver for £80 on a/c.; Sold to H. Falconer, 2 cwt. of Ground Rice at 2d. per lb.; Sent Credit Note to N. Carver for 5s. for allowance for short weight in goods sold to him on the 1st inst. Jan. 6—Bill Payable £40, due this date, was presented to and paid by the Bank. Jan. 7—Paid Wages in cash £19 5s. Recd. 4d. from each of 8 employees on a/c. of National Health Insurance; Retd. to R. Lawson, 1 doz. tins of Preserved Pears (damaged) purchased on the 4th inst., and recd. C/N. Jan. 8—Purchased out of Cash a new showcase and fittings, £18; Cash Sales, £23; Paid into Bank all cash in hand, less £10 retained. (*Total Balances,* £6094 12 6.)

Ex. 2. From the T.B. extracted from the books of Angus MacAdam and John Westrum, prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1912. **Adjustments:** Depreciation on Land & Buildings 2½%; on Plant & Machinery 10%. The Res. for Doubtful Debts is to be increased to 5% on the Sundry Debtors. Unexpired amounts to be carried forward:—Rates £27 1s. 9d.; Insurance £16 7s. 9d. The Partnership Agreement provides:—(1) That 5% per ann. shall be allowed on Partnership Cap. (as a charge to the P. & L. A/c.), and that such int. shall be credited to the Partners' Drawing A/cs.; (2) That a Partnership Salary out of Net Profits (if and as made) of £300 per ann. shall in the first instance be credited to Westrum's Drawing A/c.; (3) That the Net Profit (if any), after providing for the aforesaid Partner's Salary, shall be divided between the partners *pro rata* to the amounts at the credit of their Cap. A/cs., and shall be credited to their Drawing A/cs. **Stock,** 31st Dec., 1912, £1,991 7s. 6d.

| Dr. Balances— | | | |
|---|---|---|---|
| A.MacAdam,Dwg.A/c. | £1000 | – | – |
| J. Westrum, Dwg. A/c. | 300 | – | – |
| Land and Buildings .. | 4960 | – | – |
| Plant & Machinery ... | 1036 | 10 | – |
| Stock, 1st Jan., 1912 | 2019 | 3 | 7 |
| Debtors ..... | 1596 | 15 | – |
| Purchases ..... | 9284 | 1 | 6 |
| Returns Inwards ..... | 370 | 2 | – |
| General Expenses .... | 150 | 6 | – |
| Manufacturing Wages | 2001 | 15 | 7 |
| Rates & Taxes ..... | 167 | 4 | 9 |
| Insurance..... | 66 | 9 | 7 |
| ManufacturingExpenses | 225 | 10 | 4 |

| Dr. Balances continued— | | | |
|---|---|---|---|
| Salaries ..... | £666 | 8 | – |
| Discount A/c. ..... | 39 | 4 | 1 |
| Cash in hand ..... | 64 | 3 | 8 |
| Cash at Bank ..... | 655 | 9 | 4 |
| **Cr. Balances—** | | | |
| A. MacAdam, Cap. A/c. | 6000 | – | – |
| J. Westrum, Cap. A/c. | 2000 | – | – |
| Creditors ..... | 1362 | 13 | 3 |
| Res. for Doubtful Debts | 66 | 3 | – |
| Sales .....14274 | | 6 | 6 |
| Returns Outwards .... | 870 | 2 | – |
| Discount ..... | 29 | 18 | 8 |

**Answer.**—*Gross Profit* £3235 3 – ; *Net Profit* £1277 12 – ; *Bal. of Drawings A/c., A.M.*, £258 4 – ; *J.W.*, £419 8 – ; *Total B/S.* £10040 5 3.

**Exercise 69.** (*Royal Society of Arts, Intermediate*, 1914.)

**Q. 1.** The undermentioned errors were discovered in the books of John Brown & Co., Ltd., affecting the year ended Dec. 31st, 1913 :—(*a*) June 4th. A cheque received from M. Stein for £10 was posted to his credit as 10s. (*b*) Dec. 27th. Goods returned by E. Hay, which had been invoiced to him at £17 10s., were taken into Stock at £15 ; but the Returns were not entered in the books until the following month. (*c*) Oct. 1st. A purchase amounting to £35 10s. was entered into the Purchase Journal correctly, but was credited to the Personal A/c. as £30 5s. 10d. Show what adjusting Journal entries should be made in order to rectify the above errors in John Brown & Co.'s books.
**Q. 2.** What constitute the essential differences between a "Trading A/c.," a "P. & L. A/c.," and an "Appropriation A/c." ?

**Ex. 1.** The B/S. of the Bright Coal Co., Ltd., on 31/12/13 :—

| Liabilities. | | |
|---|---|---|
| Capital :—Nominal :— | | |
| 5000 Shares of £1 each .....£5000 | | |
| Issued :—4500 Shares of £1 ea. fully paid ..... | | 4500 |
| Sundry Creditors :— | | |
| Blank Colliery Co. .....£190 | | |
| White Coal Co. ..... 210 | | |
| W. Stranson ..... 35 | | |
| S. Brown ..... 18 | | |
| | | 453 |
| Bills Payable :— | | |
| Dumbleton Colliery Co... .. | | 300 |
| P. & L. A/c. (balance) ..... | | 339 |

| Assets. | | |
|---|---|---|
| Freehold Buildings..... | | £890 |
| Railway Trucks ..... | | 2100 |
| Office Furniture ..... | | 70 |
| Scales & Sacks ..... | | 130 |
| Horses & Vans ..... | | 390 |
| Sundry Debtors :— | | |
| W. Carter ..... | £18 | |
| Rowton Corporation ... | 328 | |
| V. Norman ..... | 82 | |
| J. Wilson ..... | 23 | |
| | | 451 |
| Stock on hand ..... | | 1000 |
| Cash at Bank ..... | | 487 |
| Cash in hand ..... | | 74 |

Open the Ledger A/cs. to record the above ; and post, through the proper subsidiary books, the following transactions ; balance the a/cs. as on 7th Jan., 1914, bring down the balances and extract a T.B. *All cheques paid into Bank. All purchases and sales on credit, except where contrary is stated.*

Jan. 1—Purchased from Dumbleton Colliery Co. 100 tons of Steam Coal at 10s. 3d. per ton ; Sold H. Carver 6 tons of House Coal at 27s. 6d. per ton ; Cash Sales, £18 10s. 6d. Jan. 2—Paid the Blank Colliery Co. their a/c., less £11 11s. 3d. allowance for short weight. Cash Sales, £9 10s. 6d. ; Purchased, out of Cash, Insurance Stamps value 14s. ; Sold to Rowton Corporation 80 tons of Steam Coal at 20s. per ton. Jan. 3, Cash Sales, £21 10s. ; Recd. of Rowton Corporation, Chq. £300 ; Purchased from the Blank Colliery Co., 200 tons of Coal at 11s. 9d. per ton ; Paid Wages in Cash, £15 9s. Received 4d. from each of 10 employees on a/c. of Nat. Health Insurance. Jan. 5—Bill Payable, £300, due this date, was presented to, and paid by, the Bank. Cash Sales, £19 5s. ; Paid W. Stranson his a/c., by cheque, less 12s. for corn sacks returned ; Purchased from S. Brown, 2 tons of Hay at £6 5s per ton ; Cash Sales, £18 ; Received from V. Norman his a/c., by cheque, less £3 ; Jan. 7—Cash Sales, £23 5s. 6d. Paid into Bank all cash in hand, less £25 retained ; Sold to Rowton Corporation, 120 tons of Steam Coal at 20s. per ton. (*Total Balances*, £5578 2 9.)

**Ex. 2.** The Speedy Motor Cab Co., Ltd., had a Nominal Capital of £30,000, divided into 10,000 Ordinary Shares of £1 each, and 20,000 6% Preference Shares of £1 each. Prepare Trading and P. & L. A/cs. for the year ended 31st Dec., 1913, and a B/S. Charge Depreciation on Plant & Machinery, and Fixtures & Fittings, at 10% per ann., and on Taxi-cabs at 5% per ann. Write off one-third of the Preliminary Exs. A/c. Reserve for Renewals £500 ; for Rates owing £18 7s. 6d., for Insurance paid in advance £170 1s. 6d. The takings of the cabs on 30th and 31st Dec. amounted to £171 8s. 3d., but were not paid in by the Drivers until 1st Jan. **Stock**, 31st Dec., 1913, £1486 10s. 9d.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Calls in arrear on Pref. Shares | £8 | 10 | – |
| Stock, 1st Jan., 1913 | 1305 | 8 | 7 |
| Cash in hand | 28 | 9 | 3 |
| Salaries | 1187 | 10 | 3 |
| Tyres | 4906 | 3 | 11 |
| Insurance | 1521 | 8 | – |
| General Expenses | 278 | 9 | – |
| Plant & Machinery | 1451 | 9 | – |
| Fixtures & Fittings | 1126 | 17 | – |
| Taxi Cabs | 28000 | – | – |
| Debtors | 89 | 17 | 3 |
| P.&L.A/c.31stDec..1912 | 748 | 3 | 5 |
| Rent of Taximeters | 465 | 10 | . |
| Licenses | 312 | 8 | – |
| Petrol (less Payments by Drivers) | 874 | 8 | 6 |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| Training Drivers | £103 | 5 | 4 |
| Washing&CleaningCabs | 2606 | 8 | 2 |
| Repairs | 1810 | 12 | 5 |
| Rent, Rates & Taxes | 953 | 8 | 7 |
| Lighting | 189 | 5 | 4 |
| Directors' Fees | 250 | – | – |
| Preliminary Expenses | 458 | 9 | 6 |
| Legal Exs. & Audit Fee | 102 | 5 | 3 |
| **Cr. Balances—** | | | |
| Ord. Share Cap. A/c. | 10000 | – | – |
| Pref Share do. | 18267 | – | – |
| Bank Overdraft | 603 | 5 | 4 |
| Cab Earnings | 18697 | 19 | 5 |
| Creditors | 710 | 2 | – |
| Res. for Renewals, 1st Jan., 1913 | 500 | – | – |

**Answer.**—*Gross Profit* £8852 16 10 ; *Net Profit* £1330 8 – ; *Total of B/S.* £31172 9 5.

**Exercise 69a.** (*Royal Society of Arts, Intermediate, May*, 1915.)

**Q. 1.** Explain the terms :—(*a*) Company, (*b*) Unlimited Company, (*c*) Limited Company. **Q. 2.** On Oct. 1, 1914, M. Andrew, who owed you £100 accepted a B/E. at 1 month for the amount. Andrew failed to meet the Bill when it came due, and the expenses incurred (5s. 6d.) were debited to your current a/c. by your Banker. Give the Journal Entries which should appear in your books.

**Ex. 1.** Bloomfield, Parker & Co., Ltd., Produce Dealers, incorporated on Jan. 1, 1912, have a Nominal Cap. of £20000, divided into 10000 Ordinary Shares of £1 each and 10000 5% Pref. Shares of £1 each. 3000 of the Ord. Shares and the whole of the Pref. Shares were issued and fully called up After closing the books as on Dec. 31, 1914, and preparing the Company's P. & L. A/c., the following T.B. was extracted on Dec. 31, 1914 :—

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances continued—** | |
| Calls in Arrear on Pref. Shares | £200 | Cash at Bank—Current A/c. | £1519 |
| Horses, Carts and Motor Vans | 4460 | Deposit A/c. | 3300 |
| Fixtures, Fittings & Furniture | 1293 | Cash in hand ..... | 60 |
| Sundry Debtors :—F. Barry.. | 68 | **Cr. Balances—** | |
| H. Sells .. | 142 | Ordinary Share Capital .... | 3000 |
| K. Murray | 34 | Preference Share Capital.... | 10000 |
| M. Christie | 56 | Sundry Creditors :— | |
| Stock on hand, Dec. 31, 1914.. | 3312 | H. Walpole ..... | 65 |
| B/R.(F.Barry, due Jan.3,1915) | 600 | F. Thompson ..... | 178 |
| Pref. Share Div. A/c. for Interim Div. due & paid July 1, 1914 ..... | 245 | H. Moss ..... | 197 |
| | | P. & L. A/c. Bal. 31/12/14 .. | 1699 |
| | | Reserve for Income Tax ... | 150 |

Open the Ledger A/c. and record the above balances, and post, through subsidiary books, the following, in 1915 :—Jan. 1. Paid Cheques to Pref. Shareholders for half-year's Div. due Jan. 1, 1915 (ignore Income Tax) ; Purchased from W. Walpole, 12 cwt. of Refined Sugar at 30s. per cwt. ; Paid Freight by Cash, £27 19s. ; Jan. 2. Sold to K. Murray, 56 lbs. of Coffee at 1s. 4d. per lb. ; Received from M. Christie a cheque for the full amount of his a/c. ; Purchased from H. Moss, 15 cwt. of Indian Rice at 10s. 2d. per cwt. and paid by cheque his a/c. as on Dec. 31, 1914, less 2½% dis. ; Paid Wages by cash, £31 5s., Received 4s. from employees, being N.H. Insurance contributions, and purchased for cash twelve 7d. insurance stamps ; Jan. 3, B/R. due this day was dishonoured on presentation at the Bank ; Jan. 4, Paid Income Tax, £115 by cheque ; Drew and cashed cheque for £50 ; Purchased new Motor Van for £320, and paid for it by cheque of same date ; Sold H. Sells 3 cwt. of Refined Sugar at 36s. per cwt. ; F. Barry gave a new acceptance dated Jan. 4, payable one month after date, for £600 plus int. at 5% per ann. ; Jan. 5, Sold to M. Christie, 1 cwt. of Cocoa at 1s. 2d per lb. ; Received cheques from H. Sells and K. Murray for the balances of their a/cs. as on Dec. 31, 1914, less 5% dis. ; Paid Telephone A/c., £5 6s. 7d. ; Received cheque for £100 on a/c. of Calls in arrear.

(*Total Balances*, £15026 1 10.)

**Ex. 2.** A. Adams and B. Brooks were in business as manufacturers, and shared profits and losses—as to two-thirds to

Adams and one-third to Brooks. On Dec. 31, 1914, the following T.B. was extracted. Prepare Trading and P. & L. A/cs. for the year ended Dec. 31, 1914, and a B/S. (*a*) 10% Depreciation is to be written off Plant and Machinery, and 5% off Furniture and Fittings, (*b*) 5% Interest is to be allowed on the Partners' Capital and charged to P. & L. A/c., but no Interest is to be charged on Drawings, (*c*) A Reserve for Bad and Doubtful Debts is to be created, amounting to 5% on the Sundry Debtors, (*d*) £12 10s. is to be carried forward for Rates paid in advance, and £15 19s. 11d. for unexpired Insurance, (*e*) £25 is to be reserved for one quarter's Rent due, (*f*) **Stock,** Dec. 31, 1914, valued at £1499 12s. 2d.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Plant and Machinery | £3426 | 6 | 8 |
| Furniture and Fittings | 315 | 10 | – |
| Sundry Debtors ..... | 4315 | 6 | 10 |
| Sales Returns ..... | 247 | 4 | 6 |
| Purchases ..... | 7046 | 16 | 10 |
| General Expenses .... | 121 | 7 | 4 |
| Office Salaries ..... | 314 | 10 | – |
| A. Adams, Drawings A/c. | 500 | – | – |
| B. Brooks, „ „ | 400 | – | – |
| Lighting and Heating | 46 | 11 | 6 |
| Carriage Outwards ... | 127 | 1 | 8 |
| Fuel and Power ..... | 49 | 8 | 1 |
| Rent, Rates and Taxes | 184 | 4 | 7 |
| Insurance..... | 62 | 1 | 6 |
| Discount A/c. (Balance) | 19 | – | 6 |

| **Dr. Balances continued—** | | | |
|---|---|---|---|
| Postage and Stationery | £36 | 19 | 4 |
| Bills Receivable ..... | 197 | – | – |
| Manufacturing Expenses | 98 | 12 | 7 |
| Carriage Inwards ..... | 114 | 1 | 11 |
| Stock on hand (Dec. 31, 1913) ..... | 2162 | 14 | 1 |
| Manufacturing Wages | 872 | 14 | 6 |
| Cash at Bank ..... | 764 | 7 | 2 |
| Cash in hand ..... | 27 | 10 | 9 |
| **Cr. Balances—** | | | |
| A. Adams, Capital A/c. | 5161 | 16 | 2 |
| B. Brooks, „ „ | 2580 | 18 | 1 |
| Sundry Creditors ..... | 1114 | 15 | 9 |
| Sales .....12472 | 6 | 4 | |
| Purchases Returns ... | 119 | 14 | – |

**Answer.**—*Gross Profit*, £3549 8 1; *Net Profit*, £1630 7 3; *Total of B/S.* £10000.

**Exercise 69b.** (*Royal Society of Arts, Inter., June*, 1916.)

**Q. 1.** Explain the advantages which attach to the use of Bills of Exchange by Merchants, and give the form of an Inland Bill of Exchange for £100 payable in three months. **Q. 2.** State where the following transactions should appear in a set of books kept upon the double-entry system :—(*a*) A gas engine, valued at £250, taken as part payment of an a/c. amounting to £490 owing by John Simmon, (*b*) The loss of a £5 note, owing to a street robbery committed upon the cashier.

**Ex. 1.** The following T.B. was extracted from the books of Graves, Alexander & Co., Ltd., Furniture Manufacturers, on 31st Jan., 1916 :—

| **Dr. Balances—** | |
|---|---|
| Dividend A/c. ..... | £300 |
| Plant and Machinery ..... | 419 |
| Fixtures and Fittings ..... | 100 |
| Stock on hand (31/12/15) .... | 1190 |
| Purchases ..... | 550 |
| Sales Returns ..... | 134 |
| General Exs. ..... | 51 |
| Salaries and Wages ..... | 183 |
| Discount A/c. ..... | 15 |
| Bills Receivable ..... | 90 |
| Carriage ..... | 9 |
| Phillip Nares ..... | 43 |
| Thomas Tree ..... | 90 |
| Robert Keys ..... | 61 |

| **Dr. Balances continued—** | |
|---|---|
| Cash in hand ..... | £25 |
| Cash at Bank ..... | 223 |
| **Cr. Balances—** | |
| 1000 Ord. Shares of £1 each.. | 1000 |
| 1000 Pref. Shares of £1 each... | 1000 |
| P. & L. A/c. (bal. 31/12/15).. | 450 |
| Purchases Returns ..... | 73 |
| Sales ..... | 860 |
| Discount A/c. ..... | 10 |
| Bills Payable..... | 40 |
| Paul Lester ..... | 16 |
| Lionel Loraine ..... | 19 |
| George Tate ..... | 15 |

Open the Ledger A/cs. for the above balances, and post, through subsidiary books, the following, in 1916 :—Feb. 1, Recd. from P. Nares and paid into Bank, £43 less 2½% dis. ; Purchased, on credit, from P. Lester, Timber value £13 3s. 3d ; Paid carriage in Cash, 9s. 7d. ; Sold, on credit, to T. Tree : 6 Dining-room chairs at £1 13s. each, 6 Bedroom chairs at £1 7s 6d. each, 1 Chest of Drawers, £9 9s. ; B/R. for £50 became due and was met ; Purchased Timber for Cash, £9 18s. 9d. ; Paid in Cash for odd Labour, 16s. 3d. ; Drew cheques in settlement of the amts. owing, as on 31st Jan., 1916, to the three creditors, less 2½% dis. ; Purchased, on credit, from G Tate :—Tapestry £17 10s., Trimmings £3 16s. 6d., Horsehair £1 4s. 5d. ; Sold, on credit, to R. Keys :—1 Dining-room Sideboard £9, 1 Dinner Waggon £2 10s.. 2 Overmantels at £2 15s. each. Feb. 3, Sent Credit note to T. Tree for overcharge of £1 1s. on Chest of Drawers sold to him on the 1st inst. ; Drew and cashed cheque for £20 ; Advanced £10 in Cash as a loan to Frederick Hawley ; Recd. from T. Tree cheque for £50, which was paid into Bank. Feb. 4, Paid, in Cash, the following General Exs. :—Cleaning 19s. 5d., Stationer, 15s., Travelling exs. £1 4s. 6d. ; Sold, on credit, to P. Nares :—2 Library Chairs for £8 each, 1 Hall Stand £7 10s., 1 Chesterfield £15 ; Paid, in Cash, 19s. 6d. for carr. on the above goods, and charged same to Nares. Paid Wages, in cash, £9 16s., less Insce. deductions, 1s. 4d., and purchased Insce. Stamps, 2s. 4d. Balance the Ledger A/cs. and extract a T.B. (*Total Balances* £3553 1 2.)

**Ex. 2.** W. Price and E. Ackworth were in partnership as engineers. The Partnership Agreement provided that profits and losses were to be shared equally, and that 5% int. was to be charged on Cap. but not on Drawings. On 31st Mar., 1916, the following T.B. was extracted. Prepare Trading and P. & L. A/cs. for the year ended 31st Mar., 1916, and a B/S. (*a*) 10% Depreciation is to be written off Plant, Machinery & Fixtures, (*b*) A Reserve for Bad Debts is to be created, amounting to 2½% of the Sundry Debtors, (*c*) A Reserve for a quarter's rent (£50) is to be made (*d*) Insce. unexpired on 31st Mar., 1916, was £7 3s. 4d., (*e*) **Stock** on 31st Mar., 1916, £1658 14s. 9d.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Plant,Machy.&Fixtures | £5672 | 13 | 4 |
| Factory Fuel & Power | 54 | 6 | 2 |
| Office Salaries ..... | 374 | 10 | 6 |
| Lighting & Heating .. | 39 | 5 | 7 |
| Travelling ..... | 92 | 6 | 7 |
| Carriage on Sales ..... | 95 | 18 | 9 |
| Cash at Bank ..... | 112 | 6 | 6 |
| Cash in hand ..... | 6 | 7 | 3 |
| Sundry Debtors ..... | 4706 | 10 | – |
| Purchases ..... | 8329 | 4 | 1 |
| Manufacturing Wages | 991 | 9 | 10 |
| Rent, Rates & Taxes | 276 | 14 | 9 |
| Office Exs. ..... | 271 | 14 | 4 |
| Carriage on Purchases | 89 | 15 | 5 |

| **Dr. Balances continued—** | | | |
|---|---|---|---|
| Discount A/c. (balance) | £42 | 7 | 9 |
| W. Price, Drawings A/c. | 396 | 10 | – |
| E.Ackworth,Drwgs.A/c. | 285 | 14 | 6 |
| Stock (31/3/15) ..... | 2172 | 11 | 3 |
| Manufacturing Exs. .. | 267 | 19 | 8 |
| Sales Returns ..... | 742 | 2 | 6 |
| Insurance..... | 57 | 6 | 3 |
| **Cr. Balances—** | | | |
| W. Price, Capital A/c. | 5696 | 10 | – |
| E. Ackworth ,, | 3626 | 3 | 4 |
| Sales .....12617 | | 15 | – |
| Sundry Creditors ..... | 2267 | 16 | 9 |
| Purchases Returns ... | 317 | 6 | 7 |
| Bills Payable..... | 642 | 3 | 4 |

**Answer.**—*Gross Profit* £2000 13 7 ; *Net Loss* £500 ; *Total of B/S.* £11566 11 7

**Ex. 61. Key to Ex. 2. R.S.A., 1906.**

**Trading A/c. of Smith & Brown, for the year ended 31st December, 1905.**

| Dr. | £ | £ | | £ | £ | Cr. |
|---|---|---|---|---|---|---|
| To Stock, 1st January, 1905 | | 750 | By Sales | £5400 | | |
| ,, Purchases | £2300 | | *Less* Returns | 150 | 5250 | |
| *Less* Returns | 200 | 2100 | ,, STOCK | | 800 | |
| ,, Manufacturing Wages | | 520 | | | | |
| ,, Carriage A/c. | | 100 | | | | |
| ,, GROSS PROFIT | | 2580 | | | | |
| | £ | 6050 | | £ | 6050 | |

**Dr. Profit & Loss A/c. for the year ended 31st Dec., 1905. Cr.**

| | £ s. | £ | | £ |
|---|---|---|---|---|
| To Rent | 120 - | | By Gross Profit from Trading A/c. | 2580 |
| ,, Rent due 25th December | 40 - | 160 | ,, Rent for Premises sub-let | 20 |
| ,, Rates & Taxes | | 20 | ,, Discounts A/c. | 10 |
| ,, Gas & Water | | 30 | | |
| ,, General Expenses | | 270 | | |
| ,, Salaries | | 350 | | |
| ,, Bad Debts | £80 | | | |
| *Add* Reserve for Bad Debts | 107 187 - | | | |
| *Less* Cr. balance of Reserve | 150 - | 37 | | |
| Depreciation :— | | | | |
| Plant & Machinery | 50 - | | | |
| Furniture & Fittings | 15 - | 65 | | |
| ,, Interest on Capital | | 175 | | |
| ,, NET PROFIT :— | | | | |
| S. Smith | 751 10 | | | |
| R. Brown | 751 10 | 1503 | | |
| | £ | 2610 | £ | 2610 |

**BALANCE SHEET of SMITH & BROWN, on 31st Dec., 1905.**

| Liabilities. | £ s. | £ s. | £ | Assets. | £ | £ |
|---|---|---|---|---|---|---|
| SUNDRY CREDITORS | | | 720 | Cash in hand | 20 | |
| Rent, due 25th December, 1905 | | | 40 | Cash in Bank | 500 | |
| | | | | | | 520 |
| CAPITAL :— | | | | Sundry Debtors | 2140 | |
| S. Smith, 1st Jan., 1905 | 2000 - | | | *Less* Reserve for Bad and Doubtful Debts | 107 | 2033 |
| *Add* Interest | 100 - | | | | | |
| *Add* ½ Profit | 751 10 | | | Stock | | 800 |
| | 2851 10 | | | Furniture & Fittings A/c. | 300 | |
| *Less* Drawings | 450 - | 2401 10 | | *Less* 5% Depreciation | 15 | 285 |
| R. Brown, 1st Jan., 1905 | 1500 - | | | | | |
| *Add* Interest | 75 - | | | Plant & Machinery A/c. | 500 | |
| *Add* ½ Profit | 751 10 | | | *Less* 10% Depreciation | 50 | 450 |
| | 2326 10 | | | | | |
| *Less* Drawings | 400 - | 1926 10 | 4328 | Goodwill A/c. | | 1000 |
| | | | £5088 | | | £5088 |

**Ex. 63. Key to Ex. 2. R.S.A., 1908.**

**Dr. Profit & Loss A/c. for the year ended 31st Dec., 1907. Cr.**

| | £ s. | £ s. | | £ |
|---|---|---|---|---|
| To Trade Expenses | | 6859 - | By Gross Profit brought from Trading A/c... | 36150 |
| ,, Rates & Taxes | | 250 - | | |
| ,, General Expenses | | 2640 - | | |
| ,, Salaries | | 1500 - | | |
| ,, Insurance | | 100 - | | |
| ,, Discount | | 1800 - | | |
| ,, Bad Debts A/c. ... £570 | | | | |
| *Add* Reserve... 2625 | 3195 - | | | |
| *Less* Cr. bal. of Reserve ... | 2600 - | 595 - | | |
| ,, Interest and Bank Charges... | | 350 - | | |
| ,, Depreciation :— | | | | |
| Land & Buildings ... | 667 10 | | | |
| Machinery & Plant... | 2136 - | | | |
| Patents ... | 500 - | 8303 10 | | |
| ,, Directors' Fees ... | | 500 - | | |
| ,, NET PROFIT ... c/d. | | 18261 10 | | |
| | £ | £36150 - | £ | 36150 |

| | £ s. | | £ s. |
|---|---|---|---|
| To Remuneration to Managing Director, 10% of the Net Profit ... | 1826 3 | By Net Profit brought down... | 18261 10 |
| ,, Reserve Fund A/c. ... | 2500 - | ,, Balance from 1906... | 750 - |
| ,, Amount for Distribution ... | 14685 7 | | |
| £ | 19011 10 | £ | 19011 10 |

## BALANCE SHEET of a MANUFACTURING CO., Ltd., on 31st December, 1907.

| Capital & Liabilities. | £ | £ s. | Assets. | £ | s. | £ | s. |
|---|---|---|---|---|---|---|---|
| NOMINAL CAPITAL : | | | Land & Buildings ... | 22250 | - | | |
| 15000 Ordy. Shares of £10 each | | 150000 | *Less* 3% Depreciat'n | 667 | 10 | 21582 | 10 |
| ISSUED & PAID-UP CAPITAL : | | | Machinery & Plant ... | 35600 | - | | |
| 9000 Ordy. Shares of £10 each ... | | 90000 - | *Less* Depreciation... | 2136 | - | 33464 | - |
| Reserve Fund, 1 Jan. 1907 | 5000 | | Patents ... | 5000 | - | | |
| *Add* Amt. from P. & L. A/c. 31st Dec., 1907 ... | 2500 | 7500 - | *Less* Depreciation... | 500 | - | 4500 | - |
| SUNDRY CREDITORS | | 21750 - | Stock ... | | | 23700 | - |
| Directors' Fees ... | | 500 - | Sundry Debtors ... | 52500 | - | | |
| Managing Director's Remuneration | | 1826 3 | *Less* Reserve for Bad Debts ... | 2625 | - | 49875 | - |
| BALANCE from P. & L. A/c. for Distribution ... | | 14685 7 | Cash at Bank ... | 2900 | - | | |
| | | | Cash in hand ... | 150 | - | 3050 | - |
| | | | Insurance Prepaid... | | | 90 | - |
| | | £186261 10 | | | | £186261 | 10 |

**Exercise 69c.** (*Royal Society of Arts, Inter., May,* 1917.)

**1.** What is an "Account Sales?" By whom is it prepared? Give an example. **2.** A. Chandler owed L. Owen £150 6s. 6d. on 1st Jan., 1917. On 2nd Jan., Chandler gave a bill at three months for the amount due. The bill was dishonoured at maturity, but renewed, plus £2 for interest, at one month. Give the entries to record these transactions in L. Owen's books.

**Ex. 1.** A. Starling, boot factor, has on 31st Dec., 1916, the following Assets and Liabilities:—**Assets:**—Furniture & Fittings, £148 10s.; Stock, £649 12s. 6d.; Bill Receivable (due Jan. 5) £50; Sundry Debtors:—The Grosvenor Shoe Co., £29 3s. 4d.; A. Foot & Son, £19; J. Richardson, £20 7s. 8d.; Cash at Bank, £194 6s. 6d.; Cash in hand, £4 3s. 1d. **Liabilities:**—Loan, £200; Sundry Creditors:—A. Hall & Co., £49 10s.; B. Bamforth, £27 3s. 4d.; Paris Footwear, Ltd., £95 16s. On 1st Jan., 1917, he took B. Sparrow into partnership. In accordance with an agreement, the latter paid £500 for a half-share in the business, one-half of which was credited to his Cap. A/c., and the balance paid out to A Starling. Open Ledger A/cs. to record A. Starling's position on 31st Dec., 1916, and, assuming that the partnership arrangements were duly carried out on 1st Jan., 1917, post through the proper subsidiary books the following, in 1917:—Jan. 2. Recd. from the Grosvenor Shoe Co. a cheque for the amount due by them, less 2½% dis.; Sold on credit to J. Richardson, one gross pairs of ladies' shoes at 7s. 9d. per pair, and half a gross pairs of children's shoes at 3s. 6d. per pair; Paid by cash 3s. 6d. for window cleaning; Jan. 3. Purchased on credit from A. Hall & Co., 3 gross pairs of ladies' shoes at 6/- per pair, and paid them the amt. due on 31st Dec. by cheque, less 5% dis.; J. Richardson returned, as being imperfect, 14 pairs of children's shoes, sold him on the 2nd inst.; Sold on credit to the Grosvenor Shoe Co., ½ gross pairs of men's boots at 12/9 per pair; Transferred £250 to Deposit A/c.; Jan. 4. Pd. by cash, carriage 15/-, and stationery 12/6; Drew and cashed cheque for £10 for office purposes; Purchased on credit from B. Bamforth, 3 doz pairs of men's slippers at 3/- per pair, and paid him £20 on a/c. by cheque; Jan. 5. Bill Receivable due this day was duly met, Sold on credit to A. Foot & Son, 1 doz. pairs of men's boots at 14/6 per pair, and 2 doz. pairs of ladies' boots at 12/- per pair; A. Starling drew a cheque for £10 for private purposes; J. Richardson pd. his a/c., less 2½% dis.; Jan. 6. Pd. wages in cash, £4 10s.; Sold for cash, 2 pairs of boots at 15/- and 17/6 respectively; Gave Paris Footwear, Ltd., a bill £50 at 3 m/d. and pd. them the bal. of their a/c. by cheque less 5% on the whole amt. due to them on 31st Dec. Pd. Office Exs. by cash 14/9. *All amts. recd. were pd. into the Bank on the day of receipt.* Balance the Ledger A/cs. and extract a T.B. N.B.—No P. & L. A/c. or B/S. is to be given. (*Total balances,* £1527 7 1.)

**Ex. 2.** On 31st Dec., 1916, the following T.B. was extracted from the books of the Call Manufacturing Co., Ltd. Nominal

**Cap. of £20000, divided into 20000 Ord. Shares of £1 each.** Prepare Trading, P. & L. A/cs., and B/S. (*a*) 10% Depreciation is to be written off Plant & Machy., and 5% off Furniture & Fittings. (*b*) The Reserve for Bad Debts is to be made up to an amt. equal to 5% of the Sundry Debtors. (*c*) Insurance unexpired on 31st Dec., 1916, was £5 10s. 6d. (*d*) A portion of the premises owned by the Co. was sub-let, as from 1st July, 1916, at an annual rental of £50, but no rent has been pd. by the tenant or passed through the books. (*e*) The **Stock** on 31st Dec., 1916, was £4402 1s. 5d.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Final Call A/c. ..... | £250 | – | – |
| Freehold Premises ... | 3200 | – | – |
| Rates, Taxes & Insce. | 472 | 10 | 7 |
| Office & Management Salaries ..... | 1292 | 10 | 6 |
| Office Exs. ..... | 217 | 14 | 11 |
| Manufacturing Exs. | 192 | – | 4 |
| Stock, 31st Dec., 1915 | 3714 | 19 | – |
| Manufacturing Wages | 6901 | 1 | 9 |
| Purchases ..... | 10617 | 15 | 4 |
| Returns inward ..... | 307 | 12 | 9 |
| Carr. on Purchases .. | 471 | 10 | 4 |
| do. on Sales ..... | 314 | – | 11 |
| Sundry Debtors ..... | 8617 | 5 | – |
| Factory, Fuel & Power | 172 | 19 | 5 |
| Lighting & Heating | 74 | 16 | 1 |
| Goodwill ..... | 2000 | – | – |
| Audit Fee & Legal Exs. | 124 | 4 | 9 |

| **Dr. Balances continued—** | | | |
|---|---|---|---|
| Travelling Exs. ..... | £96 | 4 | 11 |
| Plant & Machy. ..... | 1942 | 13 | 4 |
| Repairs ..... | 89 | 14 | 9 |
| Furniture & Fittings | 134 | 6 | 8 |
| Cash at Bank ..... | 246 | 9 | 10 |
| Cash in hand ..... | 3 | 4 | – |
| **Cr. Balances—** | | | |
| Cap. A/c. (16000 Shares fully called) ..... | 16000 | – | – |
| P. & L. A/c. (Bal.) 31st Dec., 1915 ... | 217 | 5 | – |
| Dis. A/c. (Bal.) ..... | 14 | 7 | 3 |
| Sales ..... | 20314 | 17 | 10 |
| Returns outward .... | 196 | 19 | 5 |
| Sundry Creditors .... | 3410 | 5 | 9 |
| Bills Payable ..... | 984 | 8 | 1 |
| Transfer Fee ..... | – | 2 | 6 |
| Reserve for Bad Debts | 315 | 9 | 4 |

**Answer.**—*Gross Profit*, £2535 19 9; *Net Loss*, £417 5; *Total of B/S.*, £20144 13 10.

**Exercise 69d.** (*Royal Society of Arts, Inter., May*, 1918.)

**1.** What is meant by the term "Solvency" as applied to a trader? Submit a *pro formâ* statement demonstrating a condition of solvency. **2.** Hugh Dickson accepted a bill (No. 141 for £30) dated 1st Jan., 1918, drawn on him by M. Ravary, payable in three months at the Union Bank, Ltd., London, E.C. Prepare this document as it would appear when duly accepted, and state the tenor and due date of the bill.

**Ex. 1.** Hugh Dickson has, on 1st Jan., 1918, the following:—**Assets:**—Sundry Debtors:—George Roberts, £159 10s.; William Shean, £92 4s.; Oliver Bell, £71; Cash at Bank, £185 10s. 8d.; Cash in hand, £9 17s. 4d.; Loan to W. Olivers, £100; Stock, £421 8s. 7d.; Plant & Machy., £841. **Liabilities:**—Sundry Creditors: Arthur Robertson & Co., Ltd., £524 10s. 8d.; William White & Bros., £185 10s.; Bill payable (due 3rd Jan., 1918), £152. Dickson took his brother George into partnership, the latter paying in £500 as capital. Open Ledger A/cs. to record the above and post through the proper subsidiary books, the following:—1918. Jan. 1. Drew and cashed a cheque for petty cash, £20. Purchased, for cash, stationery, £3 8s. 6d.; stamps, £1 10s.; and string, 10s. Jan. 2. Purchased, on a/c., from A. Robertson & Co., Ltd., goods, £150, less 10% trade dis. Jan. 3. Instructed Bankers to pay the bill payable due this day. Recd. from W. Olivers half-year's int. on his loan at 5%, less income tax at 5/- in the £. Jan. 4. Accepted a bill at

three months in favour of White & Bros. for the amount of their a/c. Jan. 5. Purchased, on credit, goods from R. Ravary & Sons, £221 18s. 6d. Sold goods, for cash, £10 15s., and paid same into the Bank. Jan. 7. Returned damaged goods to R. Ravary & Sons, £10 12s. 6d. Jan. 8. H. Dickson drew cheque £25 for private purposes. Jan. 9. Sold, on credit, goods to George Roberts, £284, less 5% trade dis. Jan. 10. Paid wages, in cash, £9 10s. Jan. 11. Purchased, on credit, from the Blank Machinery Co., new machine, £200. Jan. 12. George Roberts paid the a/c. due from him on 1st Jan., less 2½% dis. Jan. 15. Sold, on credit, goods to O. Bell, £150. Jan. 17. O. Bell returned goods, £12 10s., as not up to sample. Paid A. Robertson & Co., Ltd., by cheque £200 on a/c. Jan. 21. Sold goods, for cash, £12 18s. 6d., and paid same into the Bank. Jan. 22. Drew and cashed cheque for Petty Cash, £20. Paid, in cash, wages, £19 15s. 8d., and Repairs to Machinery, £8 6s. 8d. Jan. 24. Recd. cheque from W. Shean for the amount of his a/c., less 5% dis. Jan. 25. Purchased, by cheque, £250 5% National War Bonds. Balance the Ledger A/cs. and extract a T.B. No P. & L. A/c. or B/S. is to be given. (*Total Balances*, £3030 16 1.)

**Ex. 2.** George McArthur was in business as a dealer in cinematograph films and sundries. On 1st Jan., 1917, he admitted his manager, Robert Smart, into partnership on the following terms :—Each partner was to be allowed 5% interest on Capital (to be credited to his drawings a/c.), but no interest was to be charged on drawings. Smart's drawings a/c. was to be credited with a salary of £250 p.a. if the profits were sufficient after charging int. on capital. Profits and Losses were to be shared as to two-thirds to McArthur and one-third to Smart, and dealt with through the drawings a/cs. On 31st Dec., 1917, the following T.B. was extracted. Prepare Trading, and P. & L. A/cs. for the year ended 31st Dec., 1917, and a B/S. (*a*) Depreciate Lanterns & Electrical Plant 25%, Furniture & Fittings 10%. (*b*) The item "Purchases" includes the cost of a film projector, £100, and this item should be transferred to "Lanterns, etc., A/c." (*c*) The stock of films and sundries on 31st Dec., 1917, was £7924. (*d*) The reserve for bad debts is to be made up to an amount equal to 5% on the Sundry Debtors as on 31st Dec., 1917. (*e*) The office expenses a/c. includes insurance premiums, £40 of which represents unexpired risks, which should be carried forward.

**Dr. Balances**—G. McArthur, Drawings A/c. £562; R. Smart, Drawings A/c. £260; Stock (1/1/17) £6842; Lanterns & Electrical Plant £400; Furniture & Fittings £350; Purchases £10874; Sales Returns £201; Showroom Wages £982; Office Salaries £875; Sundry Debtors £8260; Cash at Bank £321; Cash in hand £10; Shares in Picture Theatre Co. £2000; Bills Receivable £421; Allowances to Film Renters £138; Showroom Expenses £342; Advertising £1840; Carriage Outwards £243; Travelling Expenses £195; Showroom Rent and Rates £189; Office Exs., Rent, Rates & Taxes £944; Electrical Current (Showroom) £124; Bad Debts £246. **Cr. Balances**—G. McArthur, Cap. A/c. £6000; R. Smart, Cap. A/c. £1000; Purchases Returns £387; Sales of Sundries £3204; Rents for Film Hire £13278; Res. for Bad Debts (1/1/17) £350; Discount & Allowances A/c. £182; Dividend on Shares £200; Sundry Creditors £5968; Rents recd. from Sub-Tenants £50; Loan from Bankers £6000.

**Answer.**—*Gross Profit*, £5339; *Net Profit*, £507; *Total of B/S.*, £19253.

# Summary of Income Tax Alterations

included in the Finance Act, 1920, for the assessment of incomes for the financial year 1920-21, the first instalment of the tax being due on the 1st Jan., 1921, and the second instalment on the 1st July, 1921.

---

The **STATUTORY** or **GROSS INCOME** of an individual is that derived from all sources and liable to be brought into account and disclosed to the Inland Revenue, whose financial year runs from 6th April to the following 5th April.

The **ASSESSABLE INCOME** is that which is earned by an individual, **minus** one-tenth (not exceeding £200), **plus** the whole of the unearned or investment income.

The **TAXABLE INCOME** of an individual is that upon which tax is charged, and is ascertained by deducting from the assessable income the **statutory abatement of £135** for a single person ; and **£225** for a married couple, also the allowances in respect of children, dependent relatives, or housekeeper. The wife's allowance may be increased by nine-tenths of any earned income she has up to a maximum of £45.

The **STANDARD** or **FULL RATE** of **TAX** at present is six shillings in the £. Only 3/- in the £, being half the standard rate, is chargeable on the **first £225** of taxable income, and the full rate of 6/- on the remainder of taxable income, whether earned or unearned.

**EXEMPTION** from liability for income tax is afforded to every single person whose total income does not exceed **£150** if all earned or **£135** if all unearned ; and to married couples whose total income does not exceed **£250,** if all earned, or **£225** if all unearned. Married couples with children and earned income only are also exempt from tax up to £290 for one child ; £320 for two children ; £350 for three children ; £380 for four children.

**CHILDREN.** The allowance from the assessable income is **£36** for one child, and **£27** for each additional child, under 16 years of age, or in attendance at school at the commencement of the financial year. But no allowance is made in respect of a child who has, in its own right, an income (excluding scholarships) exceeding £40 a year.

**DEPENDENT RELATIVE.** An allowance of **£22 10s.** from the assessable income is made in respect of the maintenance of a widowed mother ; or a relative incapacitated by old age or infirmity from maintaining himself, and whose income does not exceed £50 a year.

**HOUSEKEEPER.** An allowance of **£45** from the assessable income is made in respect of a resident female relative of a widower or of his deceased wife, for the purpose of having the charge and care of his children. This allowance is also made to an unmarried person who has living with him his widowed mother or other female relative maintained by him to look after his younger brothers and sisters.

**LIFE ASSURANCE PREMIUMS.** An allowance of tax is made in respect of premiums, not exceeding **one-sixth** of the total **income**, where such premiums do not exceed seven per cent. on each separate policy of the sum assured. This relief is limited to policies securing a capital sum on death, whether in conjunction with any other benefit or not. Only half the standard rate of tax (3/- in the £) is allowed on premiums in respect of policies taken out after 22nd June, 1916. On insurances created before that date half the standard rate of tax (3/-) will be allowed where the total income does not exceed £1000; three-fourths the rate of tax (4/6) where the income does not exceed £2000; and the standard rate (6/-) where the income exceeds £2000.

**EXAMPLE** showing taxation of the income of a married couple, with three children under 16 years of age. The husband's income from earnings is £400; from investments, £200; and he is insured for £500 at a premium of £20 a year. The wife's income from earnings is £200; from investments, £100; and she is insured for £250 at a premium of £8 a year.

| | | |
|---|---|---|
| Earned Income, £400 + £200 | £600 | |
| *Less* 10 per cent. | 60 | |
| | | £540 |
| Unearned or Investment Incomes, £200 + £100 | | 300 |
| | | £840 |
| *Less* Statutory Abatement | £225 | |
| „ Allowance on Wife's earnings | 45 | |
| „ 3 Children, £36 + £27 + £27 | 90 | |
| | | 360 |
| **Taxable income** | | £480 |
| Income Tax on £225 @ half standard rate, 3/- in the £ | £33 | 15s. |
| „ „ on £255 @ full standard rate, 6/- in the £ | 76 | 10 |
| | £110 | 5s. |
| *Less* Allowance for Assurance premiums, £28 @ 3/- in the £ | 4 | 4 |
| Total Tax payable | £106 | 1s. |
| Tax deducted at source on investment income | £90 | – |
| **Net Tax payable to the Local Collector** | **£16** | **1s.** |

## RATES of SUPER-TAX.

| in addition to the Income Tax of 6/- in the £ | | | | | s. | d. |
|---|---|---|---|---|---|---|
| On each £1 between | £2001 | and | £2500, | inclusive .. .. | 1 | 6 |
| ,, | £2501 | ,, | £3000, | ,, .. .. | 2 | – |
| ,, | £3001 | ,, | £4000, | ,, .. .. | 2 | 6 |
| ,, | £4001 | ,, | £5000, | ,, .. .. | 3 | – |
| ,, | £5001 | ,, | £6000, | ,, .. .. | 3 | 6 |
| ,, | £6001 | ,, | £7000, | ,, .. .. | 4 | – |
| ,, | £7001 | ,, | £8000, | ,, .. .. | 4 | 6 |
| ,, | £8001 | ,, | £20000, | ,, .. .. | 5 | – |
| ,, | £20001 | ,, | £30000, | ,, .. .. | 5 | 6 |
| ,, | £30001 | ,, | above, | ,, .. .. | 6 | – |

**Claims** for **repayment** of tax must be transmitted to the *Secretary, Inland Revenue* (*Claims Branch*), *Cecil Chambers*, 86, *Strand, London, W.C.* 2, within **three years** of the end of the financial year to which they relate.

**No exemption**, abatement, or relief is given to any person resident **outside the United Kingdom** in respect of any income within the U.K., however small. A non-resident, however, is **not** required to pay tax in respect of **foreign** or **colonial securities**, and where tax has been deducted, through payment of the interest having been made by an agent in the U.K., repayment may be obtained.

The **CORPORATION PROFITS TAX** of 1/- in the £ is imposed on the profits of **Limited Companies** and **Corporations** engaged in trade or transactions of a similar character, arising in any accounting period ending after the 31st December, 1919. The profits of *Co-operative Societies* are included, but not amounts returned to purchasers as a dividend or bonus in proportion to their purchases.

The **first £500** of profits is **exempt** from this tax, which must **not exceed 2/-** in the £ on the total profits, after deducting any interest or dividends paid at a fixed rate on any debentures, preference shares limited to dividends at a fixed rate, or permanent loans issued before 20th April, 1920.

**Deductions** are allowable from the profits for interest on borrowed money, rent and royalties, depreciation, renewals and excess profits duty. The deduction for the remuneration of any director, manager, or other person concerned in the management, must not exceed £1000 per annum.

# INCOME TAX.

**301.** The **INCOME TAX,** which comes under the head of **Inland Revenue** in the fiscal system, is a direct imposition, in the form of poundage, payable upon the **annual value** of **property** and the **annual profits** or **gains** of any profession, trade, employment, or vocation carried on or exercised in the United Kingdom, by any person whatsoever and wheresoever residing, and also on the profits of trades carried on elsewhere than in the United Kingdom, if carried on, actually or constructively, by any person, resident in the United Kingdom. It will thus be seen that a *resident* in the U.K. is taxable on the *whole* of his gains, whether arising in the U.K. or abroad; but a *non-resident* is taxable only on gains arising in the U.K. Tax is also payable on all interest, rents, annuities, pensions, stipends and other annual profits, *except* in respect of wound and disablement pensions, and also in respect of the income or profits of Colleges and halls of Universities, Hospitals, Public Schools, Almshouses, Literary or Scientific Institutions, *registered* Trade Unions or Friendly Societies, Trustees' Savings Banks, and Industrial and Co-operative Societies; although the latter are assessable under Schedule A for Property Tax. Interest or rents vested in trustees for charitable purposes and applied to charitable purposes are also exempt, but *profits* so applied are not.

**302.** While on matters of **fact** the decision of the **Commissioners** is **final,** this is not so on a point of **law,** upon which the opinion of the High Court may be required if dissatisfaction be expressed by either party. It must always be borne in mind that the object of Parliament is not so much the person as the *source* of the income itself. In other words, Parliament seeks the tax where the income is *actually produced* or originates, *before* any distribution of profits, and totally regardless of the persons among whom such income is to be distributed, therefore the **profits,** however small, of **Corporations** and **Companies** are taxed at the **higher rate** in their entirety before distribution among

the shareholders. But the profits of Companies are *not* chargeable with Super-Tax, which can only be levied on the incomes of *individuals*. Further, the tax, at the higher rate, is deducted on payment of interest by the mortgagor to his mortgagee ; on payment of rent by a tenant to his landlord or lessee ; on payment of royalties on minerals or patents to the owner or patentee. The general basis of assessment thus being to tax income at its source, the actual payer of the tax has the *right to deduct* the amount from the next payment he may make to the person enjoying the income. In practice this is found the most convenient course to pursue, and the comparatively few cases in which the actual person enjoying the income is entitled to claim exemption or abatement may be dealt with later on by the *Claims Branch* without adding materially to the work of the *Inland Revenue, Cecil Chambers, 86 Strand, London, W.C.* 2. There are **two rates of tax,** the **standard** or **full rate** (at present 6/- in the £), and **half** the **standard rate** (3/- in the £) chargeable only on the **first £225** of the taxable income of an individual, after deducting the statutory abatement and allowances.

**303.** A **Graduated Super-Tax** is charged on incomes exceeding **£2500** per annum, in so far as such incomes exceed £2000 ; thus, an income of £12500 would be assessed to Income Tax in its entirety at 6/- in the £, and to Super-Tax on £10500 only as follows :—£500 at 1/6, £500 at 2/-, £1000 at 2/6, £1000 at 3/-, £1000 at 3/6, £1000 at 4/-, £1000 at 4/6, and £4500 at 5/-. The assessment for the Super-Tax is, generally speaking, based upon the **Total Statutory Income** of the individual taxpayer for the *preceding year*, estimated in the same manner as the total income from all sources is estimated for the purposes of exemption or abatement under the Income Tax Acts. Except that Life Insurance Premiums may *not* be deducted in computing the amount of the taxable income. Wound and disablement **pensions** arising out of war services are *exempt* from Super-Tax.

**Statement of Statutory Income of Thomas Thorp, for the year 1918-19, for Super-Tax, 1919-20.**

| | | |
|---|---|---|
| Business Profits; Share of Assessment, 1918-19 .... | | £6300 |
| Net Annual Value of Houses.. | | 250 |
| Gross Dividends on Investments | | 1600 |
| Directors' Fees | | 530 |
| Gross Income of Wife | | 420 |
| **Income** from all sources | | £9130 |
| *Less* Annual Charges:— | | |
| Ground Rent | £50 | |
| Interest on Mortgage | 150 | |
| | | 200 |
| **Total Income** which determines payment of **Super-Tax** | | 8930 |
| *Less* Statutory Allowance | | 2000 |
| Amount upon which Super-Tax is payable | | £6930 |

**304.** The most important factor in producing **correct returns** for Income Tax and in convincing the officials and Commissioners is an adequate **system** of **Book-keeping.** There is little doubt that nine-tenths of the disputes between the public and the authorities arise from inefficient methods of account-keeping, and the consequent inability of the taxpayer to prove his exact profit. It must be remembered that while the Commissioners *cannot* compel the production of a **trader's account books** in order to substantiate his Statement of Income, he would be prejudiced by a refusal to do so, and might suffer by an excessive assessment in consequence.

**305.** There are in all **five** schedules under which income tax is assessed. **SCHEDULE A,** *or Property Tax,* sometimes called the **Landlord's Property Tax,** because it is ultimately borne by the *owner,* relates to incomes, rents, royalties, tithes, profits of manors, fines on renewals of leases, &c., derived from the **ownership** of freehold, leasehold, and copyhold land and buildings. The tax payable in respect of the income from quarries, mines, &c., is assessed under Schedule D, see par. 313. The actual **annual rental** is the basis of the charge, but if in the occupation of the *owner,* then the **poor-rate**

**assessment** is generally taken as the basis. When a **tenant** bears the **cost** of **repairs** the rent does not represent the full annual value, and an **addition** must be made thereto for the purposes of the gross assessment. For instance, a house rented at £60 per ann., where the tenant bore the cost of repairs, was assessed at £66 per ann. **Deductions** are allowed for Sea Walls, Land Tax, Tithes, Public Drainage Rates, and Tenant's Rates, as well as *one-eighth part* of the rental in the case of *lands* (including *farmhouses* let and buildings) and *one-sixth* in the case of *houses and buildings* (exclusive of farmhouses let) to cover the cost of **repairs.** If the occupier, being only a tenant, pays this tax, he is entitled to, and *must*, deduct the same from the *next* payment of rent to his landlord, otherwise he will lose the right of deduction. In the case of dwelling-houses of a less annual value than £10, and of lands or houses let for a less period than one year, the assessment under Schedule A is to be made on the landlord. Where an **owner** of **farms,** or of **houses** *not exceeding* an **annual value** of **£52,** can show that he has expended on replacement, maintenance, repairs, insurance, and management, according to the *average* of the preceding *five years*, more than one-eighth of the annual value of land, and one-sixth of the annual value of cottages, he is now entitled to a **repayment** of the amount of duty on the excess. The object of this concession is to afford relief to good landlords by increasing the allowance for repairs, &c., from 12½% to 100% in respect of land, and from 16⅔% to 100% in respect of cottages. The old Statutory deductions of one-eighth and one-sixth respectively will continue to be made as heretofore, and the additional allowance will only be made, by way of *repayment*, on a declaration of the owner proving his expenditure, on Form No. 99 or 99b.

**306.** The **Assessment books** for **Schedule A** are revised every **five years.** Land and buildings are always assessed in the place where situate, no matter where the owner resides. A property owner should

remember that he is entitled to **exemption** from Property Tax if his total income does not exceed **£135** per annum; and that he is entitled to the usual statutory **abatement** and **allowances.** Being *unearned* income the tax payable under Schedule A is generally at the higher rate, unless the property forms part of the emolument of any office or employment of profit held by an individual, *e.g.*, the glebe land, tithe, rectory, &c., of a clergyman, in which case it is regarded as *earned* income.

**Example 1.** The assessment upon a house at £16 a year, where the landlord pays the rates, would thus be:

| | |
|---|---|
| Annual Rent ..... | £16 |
| *Less* Tenant's Rates paid by Landlord | 4 |
| Gross Assessment ..... | 12 |
| *Less* Allowance for Repairs, ⅛th ..... | 2 |
| Net Assessment ..... | £10 |

**Example 2.** When the tenant pays the rates, the Assessment is based upon the actual rent payable, thus:

| | |
|---|---|
| Annual Rent ..... | £16 – – |
| *Less* Allowance for Repairs, ⅛th | 2 13 4 |
| Net Assessment ..... | £13 6 8 |

**Example 3.** Smith owns a farm let at £400 a year, he pays the tithe and land tax and bears the cost of repairs. Four cottages, each of the annual value of £7, are included with the farm. Smith's assessment:

| | £ s. d. | £ s. d. |
|---|---|---|
| Annual Rental ..... | | 400 – – |
| Deductions—Tithe..... | 40 – – | |
| Land Tax..... | 3 15 – | |
| Repairs, one-eighth of £372 (£400 less £28) | 46 10 – | |
| One-sixth of £28 ..... | 4 13 4 | |
| | | 94 18 4 |
| Net assessment in respect of the farm.. | | 305 1 8 |
| If Smith (married) has no other income he will be allowed an abatement of | | 225 – – |
| And tax will be charged upon ..... | | £80 1 8 |

**Allowance** is made to the owner for all **unoccupied** property, or abatements from the rent, at the time of

the payment of the tax to the collector. **Form 146A** must be filled up stating the details of the abatements, and the period for which the property has been empty. When the tenant has paid the tax in full, and deducted it from the rent, that portion of the tax may be **reclaimed** by the landlord in respect of which he has suffered any abatement or loss.

**307. SCHEDULE B,** or the **Farmer's Tax,** which is borne by the **occupier,** relates to incomes derived from husbandry, the use and *occupation* of lands—farms, nurseries, market gardens, &c., and being *earned* income is subject to the statutory abatement of one-tenth. Shooting, fishing, and grazing leases, parks, woodlands, and ornamental grounds, are also assessable under Schedule B, and are legally *unearned* income, but **all Schedule B** assessments are regarded as *earned* income. The profits derived from the hiring out of farm implements, also fees for the service of entire horses, are assessable under Schedule D, and are in addition to the assessment on the lands occupied. The assessment of Nurseries and Market Gardens is under Schedule B, but is estimated according to the rules under Schedule D. On the presumption that the ordinary farmer does not keep a complete account of his transactions, the Income Tax Act has *fixed* his profit at the equal of **double** his **annual rent,** or **double** the **gross annual value** of his farm. Thus, a farmer paying £300 per annum is deemed to have a **Statutory Income** of **£600** from that source, which is, of course, subject to the usual abatement and allowances. He has, however, the **option** of being **assessed** under **Schedule D,** on the **actual average profits** of the three preceding years, provided notice is given, either personally or by registered letter, to the Surveyor of Taxes to that effect before the 6th June. In Scotland the time is extended to the 5th August. In order to procure assessment under Schedule D, it is necessary that the farmer should take **stock** at least once each year, and keep **proper records** of all his business transactions, so as to be able to produce the necessary **accounts proving** his **actual**

**profit** as set forth in his Return. Where, by reason of flood or tempest, loss shall be sustained to crops, or any lands shall be rendered incapable of cultivation, the Commissioners, on proof that the owner has abated any portion of the rent, may abate the assessment to a like extent. Similar relief is granted where the owner is himself the occupier. An allowance is also granted by reason of rent remitted on account of agricultural depression See Forms No. 191 and 192. (pages 349-50.)

**308.** When the assessment has been fixed by the Commissioners if no appeal is made, or if an appeal to them succeeds, the tax charged must be paid, but if the sum assessed exceeds the profits, a claim to repayment may be made at the end of the year, or if exemption or the full abatement to which the assessed is entitled has not been allowed, repayment of the portion overcharged may be secured if a claim is made within three years of the close of the official year for which the overcharge was paid. Forms may be secured from Local Inspectors of Taxes on which such claims may be preferred. Form No. 79 D, pp. 351-2 is to be filled up when making an appeal for repayment of tax charged under Schedule B on account of the profits falling short of the assessment.

No. 191.

Form of Certificate to be filled up by Persons seeking Relief from Income Tax on the amount of Rent remitted on account of Agricultural Depression.

County of .....
Division of .....
Parish of .....

I* .....
being the.....of the lands in the above-named Parish or Place, let to, and occupied by .....
hereby certify that I have reduced or agreed to reduce the rent payable to me in respect of the said lands for the sum of £ „ „ to the sum of £ „ „ , for the year ending the 5th day of April, 192 .

Given under my hand this.....day of.....192..

*Insert name in full, and state whether Owner or Agent. If Agent state the name and Address of the Owner.

Signature of Owner or Agent .....

Address.....

No. 192.

**Claim of Repayment.**

**INCOME TAX. Year 192——.**

**AGRICULTURAL DEPRESSION.**

*County of*_____ *Division of*_____

*To the Commissioners of Inland Revenue, Somerset House, London—*

* Insert name in full, and state whether the Owner, or the Agent of the Owner, or the Occupier.

I*_____ being the_____ of the lands described in the Schedule hereunder written, declare that all the particulars entered therein are truly stated, and that the sums set forth have been absolutely and without reservation remitted from the rent payable in respect of the said lands, for the year ending the 5th day of April, 192 .

**SCHEDULE.**

| Parish or Place. | Name of Occupier. | Name and Address of Owner. | Description and Name or Situation of Lands. | Full rent payable for the year ending 5th April, 192 , including interest for outlay on improvements (if any). | Amount of rent remitted for the year ending 5th April, 192 . | Duty claimed to be repaid. † | |
|---|---|---|---|---|---|---|---|
| | | | | | | Sch. A. | Sch. B. |
| | | | | | | | |
| | | | | | Total... | | |

And I further declare that I have paid the Income Tax charged upon the said lands for the year ending the 5th day of April, 192 , and I therefore request that the sum of £.....being the duty on the amount of rent remitted may be refunded to me.

† The Collector's Receipts for the Income Tax paid must be annexed, and where the claim is made by an Occupier he must furnish a Certificate from the Owner of the amount of rent remitted.

Given under my hand this_____ day of_____ 192 .

*Signature of Claimant*_____

*Postal Address*_____

Form No. 79D. **INCOME TAX. FARMERS' APPEALS.**

Statement of Payments and Receipts in respect of Lands in my occupation for the purposes of Husbandry (particulars of which are entered at the back of this form) for the year ending.....19.....

| PAYMENTS:— | £ | s. | d. | RECEIPTS:— | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| * Value of Stock (live and dead) and *produce* at beginning of Year | | | | Live Stock and Wool sold | | | |
| Live stock bought | | | | Corn and Seeds sold | | | |
| Corn and Seeds bought for seed | | | | Dairy Produce and Poultry sold | | | |
| Feeding Stuffs, Oil Cake, and Manure bought | | | | Other Produce, including Hay, Straw, or Roots sold | | | |
| Rent (plus Tithe, if any, paid by Tenant in addition to Rent) | | | | Labour, Stock, Implements, &c., hired out | | | |
| The amount of (*a*) the *Schedule A assessment* (*i.e.* the *net value* assessed; not the duty paid), and (*b*) Tithe paid, if the Occupier is also the Owner (*a*) (*b*) | | | | Taking in Sheep or Cattle to graze | | | |
| Rates, Taxes (including Income Tax) and Insurance of Farm Stock | | | | *Value of Stock (live and dead) and *produce* at end of year | | | |
| Labour on the Farm | | | | OTHER RECEIPTS, viz.:— | | | |
| † Tradesmen's accounts for Goods supplied or work done *upon the Farm* | | | | | | | |
| † Sundries | | | | | | | |
| | | | | Value of Farm Produce used by Household | | | |
| £ | | | | £ | | | |

*Signature* _____

*Address* _____

*Date* _____

## FORM OF DECLARATION TO BE FILLED UP AND SIGNED

*when the Value of the Stock at the beginning and end of the year cannot be shown in the above Account.*

I solemnly and sincerely declare that the amount of live and dead *stock* and *produce* (*) upon my holding on‡ the.....day of .....19....., did not differ materially for the purposes of this account from the average amount in hand on the corresponding day of previous years [§ except in the particulars stated below, which are true to the best of my knowledge and belief.]

**Particulars of difference referred to above.**

| Description of Stock and Produce. | Increase. | Decrease. |
|---|---|---|
| | £ | £ |
| | | |

*Signature* _____

_____

*Date* _____ 19___.

* This is the value of *Stock* and *produce* only—not including "*tillages*," &c.

† Disbursements or Expenses for the maintenance of the Occupier of the Lands or of his family are not to be included.

‡ Name the day to which accounts are made up. Strike out the words in brackets if the amount is the average one.

851

## PARTICULARS OF THE LANDS TO WHICH THE APPEAL RELATES.

| Parish. | Occupier. | Owner. | Name or Situation of the Farm. | Acreage. | | | | Full amount of the Rent payable (including Tithe). | | Amount of Rent remitted by the Landlord for the year to which the Appeal relates. | | Annual Value charged under Schedule A where the Occupier is also the Owner. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Arable. | | Pasture. | | | | | | | |
| | | | | a. | r. | a. | r. | £ | s. | £ | s. | £ | s. |
| | | | | | | | | | | | | | |

.....*Appellant*

**309. SCHEDULE C,** or the **Stockholder's Tax,** chargeable at the standard rate, relates to *unearned* incomes derived from the interest, annuities and dividends, payable out of the Public Funds of the U.K., the Colonies, or any foreign state ; and is generally deducted when the dividends are paid by the Bank of England and other financial houses, who have been previously charged under this Schedule, which is practically non-existent so far as the individual taxpayer is concerned. If the income of the stockholder entitles him to exemption or abatement, it is necessary to apply to the *Secretary of Inland Revenue, (Claims Branch), Cecil Chambers,* 86 *Strand, London, W.C.* 2, for a return of the tax, unless it is in respect of dividends amounting to *less* than 50/- per half year, in which case the tax is *not* deducted.

**310. SCHEDULE E,** or the **Salary** or **Annuity Tax,** relates to the salaries, annuities, pensions, remuneration and fees payable to officials, directors, managers, secretaries, auditors, clerks, and others in the employment of the Church, State, Corporations, Public Bodies, Limited Companies. This tax is charged upon the *actual profits of the year of assessment.* If an official receives any additional salary, beyond the assessment made upon him, a further assessment may be made for the increase. A Railway Co. is liable for the payment of the tax in respect of its employees, from whose salaries the Co. is empowered to deduct the same. All **employers** are under a statutory obligation to furnish a **list** of the names, addresses, wages, and other payments to their **employees,** except those whose remuneration does not exceed £150 per ann., and who have no other employment. As this Schedule relates solely to *earned* income it is subject to the statutory abatement of one-tenth. There is *no* provision for repayment of tax under Schedule E., except on the ground of expenses or double assessment. A blue foolscap form, **No. 12,** is sent about May in each year by the District Assessor to every person likely to be assessable

under this Schedule. Page 1 contains the circular letter requesting the Return to be made within 21 days, also columns for the description of the office held or employment followed, and the salary, fees, emoluments, commission or bonus received therefor. The claims in repect of life assurance premiums, wife, children, housekeeper, or dependent relatives, should be made on page 4. Page 2 gives instructions for filling up the Claim (on page 3) for exemption, abatement or relief.

**310a. WEEKLY WAGE EARNERS** earning on the **average** more than **£150** per ann. for **single** persons, and **£250** per ann. for **married** couples, are assessed on the **actual amount** of their wages for each **quarter,** instead of the year. The first quarterly assessment becomes due on the 5th July; the second on the 5th October; the third on the 5th January; and the fourth on the 5th April. Where the amount of the tax due **exceeds six shillings** a quarter, it may be paid by purchasing **stamps** at the Post Office, and affixing them to a **special card,** which the collector of taxes will supply for the purpose. Where the amount due, per quarter, is *less* than six shillings, the amount must be paid in cash. This quarterly assessment, based upon returns made by the employer, will only apply to those engaged in **manual occupations,** and *not* to clerks, typists, draftsmen, or in any other similar capacity. The usual **allowance** for wife, housekeeper, also children under 16 years of age, as well as the ordinary exemption, relief, or abatement, will be granted, as in the case of annual assessments. In addition to this an **allowance** will be made for contributions to a Trade Union, which are allocated to superannuation benefits, and there will also be an allowance for any abatement on account of tools, explosives, and similar expenses incurred exclusively for the purposes of employment. Skilled workers, who are of opinion that the full amount of deductions to which they are entitled are not being allowed, will have the usual methods of appeal.

**311. SCHEDULE D,** or the **Commercial** and **Professional Man's Tax,** relates to incomes derived from

**Trade, Manufacture, Professional practice, or Employment**, and any income not included in the other four schedules. Immediately after the 6th of April in each year **Notices** are posted up in prominent places throughout the country, calling upon all and sundry to make a return of their incomes for the purposes of taxation. Simultaneously the District Assessor forwards to every person or firm likely to be assessable under this schedule a four-paged demy buff form, **No. 11,** known as the **Return for Assessment under Schedule D,** the **first page** of which contains the circular letter requesting the Return to be made within 21 days; and enclosing a separate four-paged sheet of *Notes, Explanations, and Instructions in regard to the Return of Income for Assessment, Form No.* 11, which sets forth the Rules and Regulations for calculating Profits. **Page 1** of the **Return** also contains, at the foot, **Section A,** that a Return has been made elsewhere. Also **Section B,** being a Declaration to be made by a person not domiciled in the United Kingdom, or by a British subject not ordinarily resident in the U.K. **Page 2** of the **Return, Section C,** is to be used for the Statement of Untaxed income for assessment under Schedule D, and the General Declaration of the taxpayer; also for insertion of the amount claimed for the Wear and Tear of Machinery and Plant. Should the recipient of the Return have *no* untaxed income whatever falling under any of the heads enumerated on page 2, he should enter the word "None" in the money column on that page, sign the "General Declaration" thereto annexed, and forthwith return the form to the assessor. **Page 3** of the **Return** contains **Section D,** being the Claim for Exemption, Abatement, or reduction of rate of tax, or for relief in respect of earned income. On this page the Claimant must set forth **every source** of income, both of self and wife, with the amount derived from each source, whether tax has been paid on it or not; also Particulars of Charges on such Income. **Page 4** of the **Return** contains **Section E,** the Claim for Allowance in respect of Life Assurance Premiums or payments under contracts for Deferred Annuities; **Section F,** the Claim for Relief in respect of Wife, living

with her husband ; **Section G,** the Claim for the Relief allowed to a Widower, whose income does not exceed £800 ; **Section H,** the Claim for Relief by an unmarried person in respect of widowed mother or housekeeper ; **Section J,** the Claim for Relief in respect of children ; and **Section K,** the Claim for Relief in respect of Dependent Relatives, incapacitated by old age or infirmity, whose income does not exceed £50 a year.

**312.** The tax under **Schedule D** is **charged** on the **average profits** of the **three financial years** of the business **preceding** the **year of assessment;** that is to say, assuming the year of assessment to be 1919-20, ending 5th April, 1920, and that it was customary for the books to be balanced on the 31st December in each year, then the a/cs. for the years **1916, 1917** and **1918,** would form the basis of the Return to be made in May, 1919. If the business has not been carried on three years, then the average from the start up to that period is taken instead. Where there has been a **change** in the **proprietorship** of the **business** brought about by the retirement or introduction of a partner, or where a business has been disposed of, the Return must still be based on past profits. If, however, it can be shown that since the change took place or by reason of it, the profit has diminished from some "specific cause," such as an extraordinary depression of trade, or where a retired partner influences trade away from the firm, the business is then assessed as a new one on the actual profit made. Where two or more partners dissolve, and each goes into business on his own account, there is, of course, no **succession,** each being treated as carrying on a new business.

**313.** The tax on profits derived from **Quarries, Iron works,** Alum Mines, Gasworks, Waterworks, Canals, Railways, Docks, Tolls, Markets, Bridges, Fishings, &c,, is charged on the *profit of the preceding year.* The tax on profits derived from Coal, Lead, Copper, Iron and other **Mines** is charged on the *average profits* of the *five years* preceding the year of assessment. Application should be made to the Inspector of Taxes for a special

form upon which to make the return of income falling under the heads referred to in this paragraph.

**314.** Before filling up the **Statement of Income** on page 2 of the Form, the *Notes, Explanations, and Instructions*, issued therewith, as well as the instructions on the Statement itself, should be very carefully studied. Firms who employ auditors frequently requisition their services in the preparation of the Return, in many cases leaving the matter entirely in their hands. As a necessary preliminary to compiling the **First Return** for Assessment there should be extracted from the books a full and accurate copy of the *Trading and P. & L. A/cs.* for the past three years. This **three-columned a/c.** (ruled like a three-columned Cash Book) each column being headed with its year, gives in one concise view and in comparative form all the information required for ascertaining the taxable profit. A *separate account* should then be prepared showing the adjustments of the various amounts not allowed, as well as other charges which are allowed, after which the average may be struck and the resulting amount inserted, *in one item*, at the top of the money column on page 2 of the Return. Some accountants employ a special left-hand column on this three-columned a/c. in order to show in red ink the items requiring adjustment. The **Claim** for **Wear** and **Tear** of Machinery and Plant at the foot of the Statement of Income, and the **Claims** on page 4 in respect of **Life Assurance Premiums** on the lives of the taxpayer or his wife living with husband; housekeeper; children, and dependent relatives; should be attended to where applicable. In preparing a **Second Return** there is *no* necessity to produce to the Inspector a three-years' account, the statutory income of the two preceding years included in the last assessment, alone being required, along with the statutory income of the new year, for ascertaining the new average. Before forwarding the **Return** to the Inspector a **copy** should be made thereof and preserved for use in case of appeal, and generally for future reference.

The **Ordinary Trading** and **Profit & Loss A/c.** of **Charles Silkstone,** Coal Merchant,

**Dr.** for the three years ended 31st December, 1918, extracted from the books. **Cr.**

| | 1916. | 1917. | 1918. | | 1916. | 1917. | 1918. |
|---|---|---|---|---|---|---|---|
| To Stock, 1st January | £320 | £390 | £370 | By Cash Sales | £216 | £264 | £290 |
| ,, Purchases | 12560 | 12860 | 13200 | ,, Credit Sales | 16410 | 16940 | 17560 |
| ,, Carriage | 930 | 940 | 980 | ,, STOCK, 31st December | 390 | 270 | 410 |
| ,, GROSS PROFIT c/d | 3236 | 3384 | 3710 | | | | |
| | £17046 | £17574 | £18260 | | £17046 | £17574 | £18260 |
| To Wages | 760 | 770 | 790 | By Gross Profit b/d | 3236 | 3384 | 3710 |
| ,, Horse Keep & Stable Expenses | 410 | 420 | 440 | ,, Commission received | 10 | 16 | 20 |
| ,, Rent & Rates | 73 | 70 | 78 | ,, Rents received | 40 | 40 | 40 |
| ,, Travelling Expenses | 45 | 48 | 52 | ,, Dividend received from the Anthracite Coal Co., Ltd. | 50 | 60 | 70 |
| ,, Fire Insurance, &c. | 10 | 10 | 10 | | | | |
| ,, Repairs | 15 | 12 | 18 | | | | |
| ,, Advertising | 50 | 56 | 66 | | | | |
| ,, Discount & Allowances | 34 | 38 | 43 | | | | |
| ,, Office Expenses | 26 | 32 | 38 | | | | |
| ,, Commission | 15 | 20 | 25 | | | | |
| ,, Voluntary Subscriptions | 10 | 10 | 10 | | | | |
| ,, Bad Debts | 54 | 30 | 43 | | | | |
| ,, Interest on Loan | 50 | 50 | 50 | | | | |
| ,, Property Tax at 1/2 in the £ | 7 | 7 | 7 | | | | |
| ,, Income Tax, Schedule D | 45 | 48 | 54 | | | | |
| ,, Depreciation of :— | | | | | | | |
| Buildings @ 2½% | 60 | 58 | 56 | | | | |
| Office Furniture @ 7½% | 6 | 6 | 6 | | | | |
| Horses @ 15% | 75 | 75 | 75 | | | | |
| Carts @ 10% | 16 | 16 | 16 | | | | |
| Railway Trucks @ 7½% | 60 | 55 | 50 | | | | |
| ,, Salary of Principal | 300 | 300 | 300 | | | | |
| ,, Interest on Capital | 100 | 100 | 100 | | | | |
| ,, NET PROFIT | 1115 | 1269 | 1513 | | | | |
| | £3336 | £3500 | £3840 | | £3336 | £3500 | £3840 |

The **Special Profit & Loss A/c.** of **Charles Silkstone,** Coal Merchant, for the three years ended 31st December, 1918.

**Adjusted** so as to show the **Statutory Income** for the purposes of **Taxation,** for the year **1919-20.**

| | 1916. | 1917. | 1918. | | 1916. | 1917. | 1918. |
|---|---|---|---|---|---|---|---|
| To DEDUCTION of items allowed:— | | | | By Net Profit brought down from the Profit & Loss A/c. of the Firm..... | £1115 | £1269 | £1513 |
| Assessment under Schedule A of Building owned and occupied by the Firm, the net value, after deduction of one-sixth for Repairs | £120 | £120 | £120 | ,, ADDITION of items, as per Contra, not allowed to be deducted by the Income Tax Commissioners when arriving at the Statutory Income: | | | |
| Rents received as per Contra, the Tax thereon having been deducted on payment thereof by the tenant | 40 | 40 | 40 | Voluntary Subscriptions ..... | 10 | 10 | 10 |
| Dividend received, as per Contra, the Tax thereon having been paid at the source by the Anthracite Coal Co., Ltd. ..... | 50 | 60 | 70 | Interest on Loan ..... | 50 | 50 | 50 |
| To STATUTORY PROFIT for Income Tax purposes..... | 1634 | 1774 | 2007 | Property Tax ..... | 7 | 7 | 7 |
| | | | | Income Tax ..... | 45 | 48 | 54 |
| | | | | Depreciation ..... | 217 | 210 | 203 |
| | | | | Salary of Principal ..... | 300 | 300 | 300 |
| | | | | Interest on Capital ..... | 100 | 100 | 100 |
| | £1844 | £1994 | £2237 | | £1844 | £1994 | £2237 |

£1634 + £1774 + £2007 ÷ 3 = **£1805** is the **Average** to be entered at the top of page 2 of the "Return for Assessment," as shown on page 361.

Presuming that the Inspector of Taxes allowed for **Wear and Tear,** say £75 on the Horses, this amount being the actual loss in market value during the year; 5% on Carts, £8; and about 3% on the Railway Trucks, £20; the total amount, **£103,** of these three allowances would require to be entered at the foot of the "Statement of Income" on page 2 of the Return, as shown on page 361.

Parish.....

No.....

**INCOME**  **TAX.**

Year ending 5th April, 1920

## Return for Assessment under Schedule B.

To _____ of _____

In pursuance of the provisions of the Income Tax Acts you are hereby required to prepare a true and correct statement of your Income, in the form on page 2 hereof so far as it is applicable to your case, and deliver it to me at my office duly signed by you within twenty-one days from this date. If, however, you elect to be assessed by the District Commissioners under a Letter, your Return should be sent to the Clerk to the Commissioners (whose address will be furnished by me, or by the Inspector of Taxes, on application), or, if you elect to be assessed by the Special Commissioners, your Return should be sent to the Inspector of Taxes, under cover, marked "For Special Assessment."

Part I. of the enclosed sheet of "Notes, Explanations and Instructions" has been drawn up in order to assist you in filling up page 2 of this form; Part II. of that sheet explains the various allowances that may be claimed on pages 3 and 4 of this form, in respect of Exemption, Abatement, Reduction of Rate of Tax, Life Assurance, Wife, Children, and Dependent Relatives incapacitated by old age or infirmity, and the special relief granted to a widower; Part III. contains directions for filling up the claim for Exemption, Abatement, or Reduction of Rate of Tax, on page 3 of this form, to which your attention is particularly directed. If you desire further information on any point, you should apply to the Inspector of Taxes at _____

Dated this _____ day of _____, 1919.

Assessor of Taxes.

This form comprises the following Sections:—

Section A. Declaration that a full Return has been made elsewhere.
" B. Declaration by a person not domiciled in the U.K., or by a British subject not ordinarily resident in the U.K.
" C. Statement of untaxed Income for Assessment under Schedule D.
" D. Claim for Exemption, Abatement, or Reduction of Rate of Tax.
" E. Claim for relief in respect of Life Assurance Premiums.
" F. Claim for relief in respect of Wife, living with her husband.
" G. Claim for the relief allowed to a Widower's Housekeeper.
" H. Claim for relief in respect of Unmarried Person's Housekeeper.
" J. Claim for relief in respect of Children.
" K. Claim for relief in respect of Dependent Relatives incapacitated by old age or infirmity.

You should complete Section C., and also Sections D. to J., so far as they are applicable.

A Partner in a Firm is required to complete Section C., but only as regards any personal untaxed income not included in the joint Return of profits made on behalf of the firm itself. He should in addition complete Sections D. to J. so far as they are applicable.

MARRIED WOMEN. The Income of a Married Woman living with her husband deemed by the Income Tax Acts to be his income, and should be included in any statement rendered by him for Income Tax purposes.

Persons not domiciled in the U.K., or persons who are British subjects but not ordinarily resident in the U.K., should fill up Section B only, and return the form to the assessor, when the appropriate form of Return will be issued.

If a full Return for the above year has already been made elsewhere, only Section A need be completed.

**Section A**

I have already made a return of the whole of my Income chargeable under Schedule D of the Income Tax Acts for the year ending 5th April, 1920, from

(State precise Address) _____

If a Partner in a Firm, State full description of Firm _____

If an Employee, state name of Employer _____

Given under my hand this _____ day of _____ 1919.

_____ Signature

_____ Address

| Section C | Page 2. Statement of Untaxed Income for Assessment under Schedule D. | Amount |
|---|---|---|
| | DESCRIPTION OF INCOME. | £ |
| FROM TRADE, PROFESSION, EMPLOYMENT, or VOCATION, viz.:— | | |
| The Trade, Profession, or Business of *Coal Merchant.* carried on by *Charles Silkstone,* at *Hunslet, Leeds.* | *Average profits..* | 1805 |
| The Employment or Vocation of _____ carried on by me at _____ | | |
| FROM INTEREST, ANNUITIES, ANNUAL PAYMENTS, AND DIVIDENDS NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.:— | | |
| Interest on Banking Accounts or Deposits ..... | | none |
| Dividends or Interest on War Loan Stock, National War Bonds and Exchequer Bonds (where not taxed by deduction) ..... | | |
| Small Dividends on other Government Securities and on Corporation Securities (where not taxed by deduction) ..... | | |
| Dividends on Stock purchased and held through the Post Office Savings Bank..... | | |
| Discounts (including Discount or Profit on maturity, sale or conversion of Treasury Bills or War Expenditure Certificates) | | |
| Other Interest, Annuities, Annual Payments and Dividends, not taxed by deduction (the particular source to be stated) viz.:— | | |
| FROM COLONIAL AND FOREIGN SECURITIES (where U.K. Income Tax is not deducted on payment thereof), viz.:— | | none |
| Interest arising from Securities of Indian or Colonial Governments, Corporations or Companies ..... | | |
| Interest arising from Securities of Foreign Governments, Corporations or Companies..... | | |
| Other Interest of Money, Annuities, or Annual Payments charged on any property out of the United Kingdom..... | | |
| FROM COLONIAL AND FOREIGN POSSESSIONS, viz.:— | | |
| INCOME ARISING FROM STOCKS, SHARES (where U.K. Income Tax is not deducted on payment thereof) OR FROM RENTS:— | | |
| In any of His Majesty's Dominions out of the United Kingdom... | | none |
| In Foreign Countries ..... | | |
| Income arising from any other Possessions out of the U.K. (the particular source to be stated), viz.:— _____ | | |
| FROM PROPERTY OR PROFITS NOT FALLING UNDER ANY OF THE FOREGOING HEADS, viz.:— | | |
| Letting Furnished House at _____ | | none |
| Other Sources (the particular source to be stated), viz.:— _____ | | |
| the amount whereof is computed according to (*a*) _____ | | |
| | TOTAL.. | 1805 |
| *Less*—In the case of a Trade, Amount claimed for Wear and Tear of Machinery and Plant, which should *not* be deducted in arriving at the above figures..... | | 103 |
| | NET TOTAL.. | 1702 |

**General Declaration.**

I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D estimated to the best of my judgment and belief, according to the provisions of the Income Tax Acts. I desire to be assessed by the *District Commissioners.*

Given under my hand this *first* day of *May*, 1919.

*Charles Silkstone*, Signature.
310 *Hunslet Lane, Leeds*, Business Address.
20 *Moor Side, Hunslet*, Private Residence.

STATE WHETHER YOU MAKE THE RETURN—
1. On your own behalf; or
2. As Trustee, Agent, Receiver, Factor, etc., and for whom.

*On own behalf.*

**Section D** — **Claim for Exemption, Abatement, or Reduction of Rate of Tax.**

The Claimant must set forth every source of his Income, with the amount derived from each source, whether tax has been paid on it or not, and notwithstanding that the Income may have been received "free of tax" or "tax compounded." The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading of which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars may be given on a separate sheet and the totals brought to this page.

| No. 1—Particulars of Income. | Amount. £ | s. | d. |
|---|---|---|---|
| (*a*) From Trade, Profession, Employment, or Vocation :— | | | |
| (*b*) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*) :— | | | |
| (*c*) From Property, including the annual value of the property which I own and occupy :— (*Precise address to be stated.*) | | | |
| (*d*) From the Occupation of Land :— | | | |
| (*e*) From Dividends, Interest, Annuities, Colonial and Foreign Securities and Possessions, and any Income not already entered elsewhere on this page, viz.:—(I) Income subjected to U.K. Income Tax before receipt. (II) Income not subjected to U.K. Income Tax before receipt. | | | |
| (*f*) Wife's Income, if not included above (*giving full particulars and stating whether subjected to U.K. Income Tax before receipt or not. If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*) ;— | | | |
| Total.... | | | |

| No. 2.—Particulars of Charges on Income. If there are no Charges write "None." It is not sufficient to leave this space blank. (*Life Assurance Premiums should not be entered here, but on page 4.*) | Annual Amount payable. £ | s. | d. |
|---|---|---|---|
| Ground Rent on.....payable to..... | | | |
| Mortgage or Loan :— £ at % from.....on..... | | | |
| Annuities, payable to..... | | | |
| Patent Royalties, payable to..... | | | |
| Other Annual Charges (if any), viz....payable to.... | | | |
| Total Charges.... | | | |
| Total Amount of Income FROM ALL SOURCES less Charges.... | | | |

I declare that the above statement contains a full, just, and true account and return of the Whole of my Income from every source whatsoever, for the Year ending the 5th day of April, 1920, estimated according to the provisions of the Income Tax Acts, and I therefore claim the relief to which I am entitled in respect of such Income.

A Woman must state after her signature whether *Married, Widow or Spinster.*

Given under my hand this day of May, 1919.

Signed_____

Private Residence_____

## Section E. Claim for Allowance in respect of Life Assurance Premiums or Payments for Deferred Annuities.

| State whether the Assurance or Annuity is on life of "Self" or of "Wife." | Name of Assurance Company or Friendly Society. | Date of Policy or Contract. | Capital sum payable at death—exclusive of any additional benefit by way of bonus or otherwise. | Amount of Premiums claimed as an Allowance from the income returned on page 2. £ | s. |
|---|---|---|---|---|---|
| | | | | | |

## Section F. Claim for Relief in respect of Wife, living with her husband.

Full Christian Names of Wife .....

I claim an allowance in respect of my wife, named above, who is living with me.

_____ Claimant's Signature.

## Section G. Claim for the Relief allowed to a Widower.

| Name of female relative in respect of whom relief is claimed. | | Relationship to claimant, or to his deceased wife. |
|---|---|---|
| Surname. | Full Christian Names. | |
| | | |

## Section J. Claim for Relief in respect of Children, including Step-Children.

| Name of each child under the age of 16 years on 6th April, 1919. | | Date of Birth. | | | Place of Birth. | Was the child alive on 6th April, 1919? |
|---|---|---|---|---|---|---|
| Surname. | Full Christian Names. | Day. | Month. | Year. | | |
| | | | | | | |

## Section L.

I declare that all the particulars given by me above are truly and correctly stated to the best of my judgment and belief, and I claim the relief to which I am entitled in virtue of the facts as so stated. I declare that no other individual is entitled to any relief from Income Tax in respect of any female relative in respect of whom I have claimed relief in Section G. or H., or if any other individual is so entitled that such individual has relinquished his or her claim to the relief.

_____ Claimant's Signature

**Extract from Report of Income Tax Committee, showing special percentage Rates of Allowances for "Wear and Tear" of Plant and Machinery, under Schedule D.**

| | % | |
|---|---|---|
| **Boot Trade:** | | |
| Leicester .. .. | 7½ | On original cost. |
| **Brewers:** | | |
| Cardiff .. .. | 5 | On diminished value. |
| **Collieries:** | | |
| Cardiff .. .. | 5 | On diminished value. |
| **Coal Exporting Plant:** | | |
| Cardiff .. .. | 5 | On diminished value. |
| **Dyers & Trimmers:** | | |
| Leicester .. .. | 7½ | On original cost. |
| Leicester .. .. | 10 | If justified on enquiry |
| **Engineers:** | | |
| Leicester .. .. | 7½ | On original value. |
| Cardiff .. .. | 5 | On diminished value. |
| **Hosiery:** | | |
| Leicester .. .. | 7½ | On original cost and higher rate if justified on enquiry. |
| Nottingham .. | 5 | On fixed machinery. |
| **Lace Making:** | | |
| Nottingham .. | 5 | On original cost. |
| Nottingham .. | 7½ | On diminished value |
| **Looms & Spinning Machines:** | | |
| Huddersfield .. | 5 | On motive plant. |
| Huddersfield .. | 7½ | On spinning, dyeing, carding, and finishing machinery. |
| Oldham .. .. | 5 | On engines, boilers, and gearing. |
| Oldham .. .. | 7½ | On spinning machines. |

| | % | |
|---|---|---|
| **Newspaper & Printing:** | | |
| Dundee .. .. | 10 | On printing machinery running double shafts. |
| Glasgow .. .. | 6 | On ruling and bookbinding machines. |
| Glasgow .. .. | 6 | On type, linotype machines, &c. |
| Glasgow .. .. | 7½ | To include renewal of type not charged to Revenue. |
| Nottingham .. | 8½ | On diminished value. |
| Cardiff .. .. | 5 | On diminished value. |
| Cardiff .. .. | 7½ | On diminished value. For newspaper printing machines. |
| Cardiff .. .. | 15 | On type. |
| **Sewing Machines:** | | |
| Glasgow .. .. | 10 | On machines used in Clothing Factories. Replacements all charged to capital. |
| Nottingham .. | 10 | |
| **Ship Repairing & Shipbuilding Plant:** | | |
| Cardiff .. .. | 5 | On diminished value. |
| **Spinning Machinery & Woolcombs:** | | |
| Bradford .. .. | 7½ | On diminished value, when machinery running day and night. Allowance reduced when heavy amounts charged for repairs and renewals. |
| **Tramways:** | | |
| Glasgow .. .. | 4½ | Average all over.<br>Poles&rosettes, Depôt fittings 2%.<br>Ducts, cables, section boxes 3%.<br>Telephones, electric power plant, sub-stations plant, rolling stock, furniture, 5%.<br>Car works machinery, permanent way plant, punches, 7½%. |
| **Weaving:** | | |
| Bradford .. .. | 5 | On looms. |
| Blackburn .. .. | 5 | On fixed boilers, engines and fixed machinery. |
| Blackburn .. .. | 7½ | On loose machinery, &c. |
| Huddersfield .. | 7½ | On spinning, weaving, carding, finishing, and condensing machinery. |
| Huddersfield .. | 5 | On motive plant, shafting, &c. |

**315. Failure** to make a **Return** or the making of an untrue or incorrect Return renders one liable to pay **treble** the **duty** properly chargeable, as well as a further **penalty** of **£20** if on information before the Commissioners, and **£50** if brought before a Court of Law. Even where a person proves that he is *not* chargeable to duties, he incurs a penalty of £5, for refusing to make a Return. In the absence of a Return the Commissioners may assess the delinquent at what they think proper.

**316.** In arriving at the assessment under **Schedule D,** the principal problem of the trader is in knowing what deductions he may legally claim out of his profits in order to arrive at his **statutory income** or taxable amount, which is generally at variance with his *real* or *actual* income. For the purposes of taxation, the income must be ascertained by a fixed standard, which is applicable alike to every taxpayer. This standard is known as the **Statutory Income,** being arrived at according to the Law, and the practice of the Officials and Commissioners, which, in such matters as the allowances for "Wear and Tear," varies in each district, and even within the same district, when special circumstances arise. To put it broadly, all expenses and disbursements *wholly* and *exclusively laid out* or *incident to*, and *necessary in*, the *production of profits* can be deducted, but such expenses as are not necessarily and usually incurred in the earning of profits would not be allowed. In other words, profits are ascertained by setting against the income earned the cost of earning it.

**317.** The following **DEDUCTIONS are NOT ALLOWED.** (**1**) *Losses* not connected with, or arising out of *Trade*, such as damages payable by a newspaper proprietor for libel; by a professional man whose coachman had negligently run somebody down; by a brewery firm for the falling of a chimney upon a guest in a hotel. (**2**) Capital withdrawn. (**3**) Sums expended on improvements or additions to premises. (**4**) Interest on Capital. (**5**) *Annual Interest*, of any kind, whether on a Loan A/c. at the Bank or elsewhere, or any Annuity, Chief Rent, Ground Rent, or other

*annual* payment payable out of profits, the tax upon which should be deducted at the time from the person to whom the payment is made. Although no part of the income of the payer, it is nevertheless added to his assessment for the purpose of *collection*, the borrower, tenant, lessee, or payer, thus being made the collector for the Revenue, to whom the amount should be paid in due course. Take the case of a lessee whose only income is £120, the assessed value of a building, subject to a Ground Rent of £20. On paying the £20 to the lessor the lessee will deduct £6 in respect of tax. Although the lessee's income is exempt from income tax, being under £150, he must account to the Revenue for the £6 deducted from the Ground Rent. (**6**) Depreciation of furniture, fixtures and fittings subject to frequent renewal, land, buildings, leases, goodwill, trade marks, patents, or copyright ; but an *allowance* may be *claimed* (not deducted) in respect of the Wear and Tear of *Machinery*, *Plant*, and *Ships*. (**7**) Royalties on minerals, or patents, the tax upon which must be deducted when making the payment to the landlord or patentee. An author selling a copyright is chargeable on the actual amount *received*, less expenses ; and thus pays tax on capital as well as income. On a re-sale only the difference between the selling and the cost price would be taxable. An inventor, however, is *not* assessable in respect of the lump sum received by him on the sale of his patent. (**8**) Expenses not wholly and exclusively laid out for Trade, &c. ; for instance, travelling expenses between two places of business, or where a person resides in one place and carries on business in another. (**9**) Partners' salaries and drawings. (**10**) Expenses of maintenance of the person assessable, or his family, or establishment, or wages paid to his wife. Traders dealing in articles of consumption or apparel must not satisfy their wants from the business in these things without accounting therefor. The cost of the maintenance of persons assessed in the case of hotels and restaurants must be estimated and added to the taxable profit. (**11**) Voluntary subscriptions or gifts, whether to charities, trade defence associations, or for employees' outings, except Trade or Professional Sub-

scriptions or a subscription by a trader to an infirmary where his workpeople could be sent if injured. (**12**) Any sum paid as Income Tax either on the profits of trade or on the Annual Value of Premises. Property Tax is *not* incurred in carrying on the business, this charge arising out of the *ownership* of property. Income Tax, not being an expense incidental to earning profit, is therefore payable *out of the profits after they are made.* It is not a working expense, but when the income is ascertained, the Revenue requires its share of it, before being distributed, consequently the tax is an *appropriation* of profits and not a *charge* against profits. (**13**) Reserves or Sinking Funds of any kind, whether for general or specific purposes. (**14**) Loss of *Premises* or *Plant* by fire, &c. (**15**) Any average loss under a contract of insurance, beyond the actual amount of loss after adjustments. (**16**) Exhaustion of minerals, or sums expended in pit sinking. (**17**) Premiums paid for leases or on the repayment of debentures. (**18**) Preliminary Expenses in connection with the formation of a limited company or the setting up of any business, or expenses connected with the issue of the debentures. (**19**) Legal charges in connection with the conveyance of real or leasehold property. (**20**) Loss on a *single* or *casual* transaction forming no part of the usual dealings of a trader, *e.g.*, if a person buys a house for £500 and sells it at a loss of £30, this is not chargeable against his profits.

**318.** The following **DEDUCTIONS are ALLOWED:** (**1**) Repairs of *Trade* Premises to the persons assessed, including brewers who can deduct from their trade profits the cost of repairs to tied houses let to tenants. (**2**) Supply or repairs of implements, utensils or articles employed, not exceeding the sum usually expended for such purposes according to the average of three years preceding. (**3**) Bad debts, a list of which must be submitted each year ; while Doubtful Debts may be estimated. (**4**) Rent of *Trade* Premises. If these belong to the firm, then the *net* Assessment under *Schedule A*, sometimes referred as the "net annual value," may be deducted. Repairs of trade premises being allowed, it is not permissible to deduct the

*gross* assessment, otherwise there would be a double deduction for repairs. (5) Rent or Value of any Dwelling-house or Domestic Offices *used for the purpose of business*, as a doctor or a dentist, such sum not exceeding two-thirds of such rent or value as the Commissioners shall allow. (6) **Wear** and **Tear** of Machinery and Plant, generally in the form of a percentage allowance on the *diminishing* value of the asset, and of Ships on the prime cost, *after* the average profits have been ascertained. No allowance is made for *Wear and Tear* in respect of any **additions** to Plant during the year of assessment ; *i.e.*, should the account stand at £5500 at the beginning of the year, and additions to the value of £250 be made during the year, the allowance would be on the £5500 only, *not* on £5750. (See par. 328.) Depreciation, as generally understood, is *never* allowed as a deduction for taxing purposes, and this term does not occur on the form, *Wear and Tear*, being the expression used in official documents. " Wear and Tear " and " Depreciation " are *not* equivalent terms, though the latter includes the former. The allowance is only intended to cover the cost of replacing *worn out* plant and machinery. Depreciation includes decrease of market value also, with which the Commissioners are not concerned. Supposing a machine is capable of working twenty years before being worn out, but is withdrawn at the end of fifteen years, the allowance is immediately discontinued. No deduction for Wear and Tear is allowable, if, when added to the allowances of previous years, the capital value would be exceeded. Should the profit of a given year be too small to admit of the deduction for Wear and Tear, the whole of the balance may be claimed from the assessment of the following year or years. A business man may write off in his own books what he thinks proper for depreciation, and may apply what standard or definition he pleases ; but for the purposes of taxation a common standard, limited to Wear and Tear alone, is allowed in place thereof. The allowance for " Wear and Tear " is often a **uniform rate fixed** by the **Commissioners** of the district, or by the Special Commissioners,

who have *absolute discretion* in the matter. A uniform rate is often adhered to at all appeals determined by the Local Commissioners, regardless of the sum claimed by the appellant; *e.g.*, in the Leeds and Huddersfield districts 7½% is allowed, while in the Dewsbury and Wakefield districts the allowance is only 5%. Where rent is paid for the use of Machinery or Plant, and the burden of maintaining and restoring it falls upon the *Lessor*, no deduction for *Wear and Tear* is allowable to the *Lessee*. In the case of ships there are also *fixed nominal rates of allowances*, made on the prime or original cost and capital additions, from year to year, in respect of steamers 4%; sailing vessels 3%. A higher rate is sometimes allowed on steam trawlers, *e.g.*, 7½% on the diminishing value. If, upon *appeal*, the Commissioners should be satisfied that, from exceptional circumstances, the normal rate is insufficient, a special allowance may be granted. "Wear and Tear" is allowed to a Telegraph Co. upon its cables; to a coal merchant upon his railway wagons (3%), carts (5%), horses (their actual loss of market value). In the case of horses the cost of replacement is often allowed before the average is taken, instead of an allowance for wear and tear. No allowance is made for "Wear and Tear" of many movable articles, such as furniture, billiard tables, scientific instruments, typewriters, calculating and cash machines, &c., as these come in the category of "Implements & Utensils," for which repairs, renewals, and losses thereon may be obtained under clause 2 of this par. (**7**) Local rates and Taxes on business premises. (**8**) Contributions under the National Insurance Act, 1911. (**9**) Insurance premiums paid to a company lawfully carrying on business in Great Britain and Ireland: including the premiums paid in respect of "Life and Accident" Insurance on the life of a tax-payer or his wife, in so far as they cover the death risk, or in connection with a contract for a deferred annuity, to an extent not exceeding one-sixth of the total income. An insurance premium is not *strictly a deduction*, but an *allowance*, as explained in pars. 321 and 328. The Inspector of Taxes may require the last Receipts for the Premiums

to be transmitted to him before sanctioning the allowance. (**10**) Loss of *Stock* by fire, &c., *not exceeding the amount in excess* of any sum recoverable under an insurance or contract of indemnity. (**11**) Damages and costs awarded upon a claim for subsidence of the surface owing to the workings of a colliery or quarry. (**12**) Loss by reason of embezzlement, false pretences, burglary, or larceny. (**13**) Bank interest and charges on a Trader's Current A/c. (not on a Loan A/c.), as the Banker pays the tax. (**14**) Directors' Fees, which are now personally chargeable against the directors under Schedule E, as earned income. (**15**) Compensation levies paid by publicans or brewers to the statutory Compensation Fund. (**16**) Royalties on copyright productions, these being personally chargeable against the author or artist, under Schedule D, as earned income. (**17**) Cost of the removal of stock, also the expenses attendant upon the removal of a business, where such removal is *forced*. (**18**) Trade, Sundry, or Miscellaneous Expenses, necessarily incurred in carrying on the business, but details must be supplied to the Inpector, so as to satisfy him that nothing has been included under this general head which is not allowable. (**19**) Excess Profits Duty, and Corporation Profits Tax.

**319.** The following are **not assessable**—(**1**) Premiums received by a Company on the issue of shares, &c., (**2**) Profit on a single or casual transaction, forming no part of the usual dealings of a trader; such as a profit on the sales of stocks, shares, &c., although a Stock & Share Broker, being a *dealer* in such, would, of course, be chargeable with tax in respect of his profits. (**3**) Although Bank and other interest received is liable to tax, that received by an investing or depositing member of a Building Society is exempt, when the Society has compounded for the tax by making special arrangements with the Board of Inland Revenue. (**4**) Dividends on Purchases received by members of Co-operative Societies, but Interest on shares or deposits therein are chargeable.

**320. ABATEMENTS, relief,** or **exemptions** are *not* allowed to *joint stock companies*, or any other

associations, except unregistered Friendly Societies, whether incorporated or not, which are always assessed upon the amount of their actual profits, however small, at the **standard rate** of tax, beacuse a company, not being an individual, cannot claim relief in respect of *earned* income. So far as individual shareholders are concerned their incomes in the shape of dividends are *unearned*. But where an *individual's* income from all sources is within the undermentioned limits an abatement may be obtained. In computing the *total* income the assessable profits of a business, on a three year's average, should be taken *after* deducting Wear and Tear, but before deducting Life Assurance.

A **married** person is entitled to an **allowance** from his assessable income of **£36** for the first child, and **£27** for each other **child** *under* the age of **16 years** (or in attendance at school) at the commencement of each financial year, *i.e.*, the 6th April. But no allowance is made in respect of a child who has, in its own right, an income (excluding scholarships) exceeding £40 a year.

**321. Life Assurance Premiums** on the life of the taxpayer or his wife, are allowed as a deduction, not exceeding **one-sixth** of the total income, where such Premiums do not exceed seven per cent. on each separate Policy of the sum assured. But this relief, which does *not* apply to Super-Tax, is limited to full-life policies or endowment policies securing a capital sum on death ; and on Deferred Annuities, but not exceeding £100 per annum. Only 3/- in the £ is allowed on premiums in respect of policies taken out after 22nd June, 1916, after which date no allowance is made for premiums in respect of Deferred Annuities, which do not provide for payment of a capital sum at death. On insurances created before 22nd June, 1916, half the standard rate of tax will be allowed where the total income does not exceed £1,000 ; three-fourths the rate of tax where the income does not exceed £2,000 ; and the standard rate where the income exceeds £2,000. Where relief has been given in respect of insurances effected after that date, and the policy is surrendered or the benefit transferred for valuable con-

sideration (other than marriage) there shall be paid to the Inland Revenue a sum equal to that which would be payable if income tax were charged on the surrender value at the rates at which the relief was last given. Premiums *cannot* be treated as a deduction for the purpose of claiming exemption or abatement, but merely for reducing the amount of income upon which tax is payable. A separate claim must be made by filling up "Section E" at the top of page 4 of the "Return for Assessment," as follows :—

**Section E.** Claim for Allowance in respect of Life Assurance Premiums or Payments for Deferred Annuities.

| State whether the Assurance or Annuity is on life of "Self" or of "Wife." | Name of Assurance Company or Friendly Society. | Date of Policy or Contract. | Capital sum payable at death—exclusive of any additional benefit by way of bonus or otherwise. | Amount of Premiums claimed as an Allowance from the income returned on page 2. | |
|---|---|---|---|---|---|
| | | | | £ | s. |
| *John Prudence,* | *United Kingdom Temperance Provident Institution.* | *3rd May,* 1910. | £500 | 20 | – |

I claim an allowance in respect of the foregoing amount of premiums, and I declare that I have not deducted the amount of such premiums in arriving at the profits or gains entered on this form, and that I have not claimed an allowance for the premiums from any other assessment upon me.

*JOHN PRUDENCE*, Signature.

**322.** In computing the *total income* for *abatement* purposes, any annual interest paid is deducted from the gross income, although such payments are not admissible deductions for assessment purposes. Should a taxpayer have neglected to claim an allowance in respect of Insurance Premiums, he is nevertheless entitled to repayment of the tax on such premiums, not exceeding three years preceding that in which the claim is made, on sending in a claim upon Form No. 39, which may be had on application to the Inland Revenue.

**323.** A statutory **abatement** of **£135** is made from the assessable income of a **single** person, and **£225** from the assessable income of a **married** couple. There is also an **allowance** of **£45** from the assessable income in respect of a resident female relative of a widower

or of his deceased wife, for the purpose of having the charge and care of his children. An **allowance** of **£22 10s.** is also granted in respect of the maintenance of a widowed mother; or any relative who is incapacitated by old age or infirmity from maintaining himself, whose total income does not exceed £50. The word "relative" includes any person of whom the taxpayer had the custody and whom he maintained at his own expense while such person was under 16 years of age.

**324. EARNED INCOME,** broadly speaking, is that for which the recipient has worked or rendered personal service, and is defined by sub-section **3** of section **14** of the Income Tax Act as (*a*) any remuneration from any office or employment of profit held by the individual, or in respect of any pension, superannuation, or other allowance, deferred pay, or compensation for loss of office given in respect of the past services of the individual or of the husband or parent of the individual in any office or employment of profit, or given to the individual in respect of the past services of any deceased person, whether the individual or husband or parent of the individual shall have contributed to such pension, superannuation allowance, or deferred pay or not; (*b*) any income from any property which is attached to or forms part of the emoluments of any office or employment of profit held by the individual; (*c*) any income which is charged under Schedules B or D, or the rules prescribed by Schedule D, and is immediately derived by the individual from the carrying on or exercise by him of his trade, profession, or vocation, either as an individual, or, in the case of a partnership, as a partner personally acting therein. The **profits** of **businesses** carried on by **sole traders** or **partners** are, of course, earned income, except in so far as it may be shown that any of the members of the firm are *sleeping* partners, in which case the profits of such partners will be taxable as *unearned* income. Tax will also be payable at the higher rate on the amount of any interest or annuity payable by a firm or an individual, except so far as such interest or annuity is paid

out of income of the firm or individual which has already paid tax at the highest rate. The profits of limited liability companies will be chargeable at the standard or higher rate, as unearned incomes, even where it can be proved that the proprietorship and management are practically the same as that of the firms from which they sprang, or that the limited company is really a "One-man company." This is because a limited company is not an *individual.* **Unearned** or **investment income** may be regarded as income derived without personal effort, and includes :—(1) Income from Investments ; (2) Profits of a Limited or Sleeping Partner ; (3) Interest on Loans ; (4) Income derived from the ownership of property.

**325. Partners** cannot claim *separate assessment* in order to obtain **Exemption, Abatement,** or **Relief** in respect of earned income, when their share of income is less than the prescribed limit, but the appropriate allowances will be made against the assessment on the firm. A person carrying on two or more distinct trades is entitled to set off a loss on one against a profit on another. The **Return** for assessment under Schedule D in respect of **partnership profits** must be made on **Form No. 1,** which is used for the Returns of Firms, Companies, Corporations, or other bodies. The **income** of the partnership must be entered on page 2, similar to Form 11 printed on page 361. Page 3 provides for the record of annuities, interest, ground rents, patent royalties, and other annual charges payable by the firm ; also the names and residences of each partner, and the division of the profits. **Individual partners** should, in addition, make separate Returns on **Forms No. 11,** of personal untaxed income, *not* included in the joint or partnership Return, and also complete the appropriate claims for abatements, allowances, or other relief. It should be remembered that Income Tax is a **personal tax,** consequently when the capital of **partners,** their salaries or their share of profits are *unequal,* it is necessary that the tax should be deducted separately from the interest on capital, salaries and

profits, otherwise a preferential treatment is accorded to the partner with the greater capital or larger share in the profits.

**326.** The **income** of a **married woman** living with her husband is deemed to be his statutory income, but where the **joint income** does not exceed **£500,** and includes *earnings* of the wife, *such earnings*, when *not* connected with those of her husband, are deemed to be separate income for the purposes of a claim to exemption, abatement, or relief, thus resulting in a **double abatement.**

| | | |
|---|---|---|
| Profits of John Husbandman, Grocer... | £340 | |
| Salary of Sarah, his wife, Teacher ..... | 90 | |
| Income derived from wife's investments. | 50 | = £480 |

The wife's salary is exempt, thus leaving the husband's income at £390, £340 of which is, first of all, subject to the abatement of one-tenth, also to the further abatement of £225, tax being payable at half the standard rate on the net amount of £81, minus 3/- in the £ on £50, the wife's investment income, presuming that the tax on the latter had been deducted in full at the source. If, however, their **united income,** from whatever source, **exceeds £500 ;** exemption will not be given in respect of the wife's earnings. Any claim for repayment of tax on a wife's income, which has been jointly assessed, must be made by the husband, unless she is separated from him.

The Income Tax Act, 1918, provides for the **separate assessment** of **husband** and **wife,** whatever the amount of the income may be, on condition that one of the parties **claims the privilege** within six months before the **6th July** in any year. But **joint incomes, exceeding £500,** are still **treated as one** so far as exemption, relief, abatement and super-tax are concerned, the **tax** being **apportioned** according to the respective incomes of the husband and wife ; for example :—

| | Income of Husband. | Income of Wife. |
|---|---|---|
| Professional Profits ..... | £1000 | £500 |
| *Less* one-tenth ..... | 100 | 50 |
| | £900 | £450 |
| *Less* Statutory Allowance on wife's earnings, maximum ..... | | 45 |
| | | £405 |

| | | |
|---|---|---|
| *Add* gross Dividends from shares .. | 300 | 150 |
| | £1200 | £555 |
| *Less* Statutory Abatement of £225 | 150 | 75 |
| | £1050 | £480 |
| *Less* Investment Income already taxed in full at the source ..... | 300 | 150 |
| | £750 | £330 |
| Tax payable at half standard rate on £225 ..... | 150 | 75 |
| Tax payable at full standard rate on .. | £600 | £255 |

Tax payable on total of £855, subject to allowances on Assurance Premiums.

**327.** Sometimes the **income** of the **estate** of a **deceased person** taken as a whole is not entitled to exemption because it exceeds the sum of £150 per annum. Yet when split up between the respective beneficiaries and considered as the income of several persons, it often happens that hardly any part thereof, or, in fact, none at all, is liable to tax. This most frequently occurs in cases where a testator's income is not large, for instance, £500 per annum, and is bequeathed, say, in equal proportions to his four children, who, if in receipt of no other income, individually receive annually £125. Under such circumstances claim could be made for exemption by each beneficiary, and if the tax has been paid a claim could be made for return of same in respect of the three preceding years. Trustees make claims for infant beneficiaries; adults make claims for themselves Similarly, where a beneficiary is entitled by bequest to more than £150 per annum, a claim can be made for the usual abatement. If the tax has been paid claim can be made for repayment in respect of the abatement due for the three preceding years. Such claims can only be made where the beneficiaries have an immediate vested interest in the income. If they have not such an interest the claim must be restricted to the portion expended on maintenance and education.

**328.** In the autumn the Clerk to the Commissioners issues a **Notice of First Assessment,** showing the amount at which one has been assessed, irrespective of whether a Return has been made or not. If the amount stated agrees with the Return, all is well ; but should it be excessive, written **notice of appeal,** stating the grounds thereof, may be given to the Inspector within 21 days of date of the assessment. It does not follow, however, that a personal appearance before the Commissioners is necessary. It is first usual to seek an interview with the Inspector and explain the cause of dissatisfaction, producing the accounts prepared on the occasion of compiling the Return in support of the case. Should the trader succeed in satisfying the Inspector, the latter will place the accounts before the Commissioners, and the appeal will be allowed. It is only when the Inspector and the appellant cannot agree that a personal attendance before the Commissioners becomes necessary on a day of which due notice is given. A **copy** of the **accounts** upon which the Return is based, signed by the appellant, should be transmitted to the Inspector seven clear days before the day of appeal. The appellant is entitled to be represented before the Commissioners by a barrister, solicitor, or an accountant. If dissatisfied with the decision of the Commissioners, such dissatisfaction must be expressed at the conclusion of the hearing, particularly if it be the intention to appeal. Income Tax is **payable** on the 1st January in each year (three months before the expiration of the financial year), and should be remitted to the authorised collector by means of a Money Order drawn in favour of the *Commissioners of Customs & Excise, London,* if the amount does not exceed £40 ; in other cases a cheque similarly payable and crossed *Account of Payee only,* and marked *Not Negotiable,* should be used. **Payment** of **Tax** by **instalments** in respect of the **income** of persons and firms (*not* limited companies) under **Schedules A, B, D, E,** is now provided for, the first equal instalment being payable on the 1st January, and the second on the 1st July. A **Discount** at the rate of $2\frac{1}{2}$ per cent., *per annum,* is

allowed on the amount of the second instalment under Schedule D, if paid before the 1st July, in the year of assessment.

**329.** In order to **facilitate** classroom work when dealing with **exercises** on the subject of Income Tax, the **allowances** for Insurance Premiums, &c., and Wear and Tear of Machinery should always be **deducted** *after* average has been ascertained. The amount of Life assurance premiums claimed should be the *actual* amount payable in the year of assessment. The wear and tear allowance must be based on the value of the machinery and plant at the beginning of the year of assessment. It must not be forgotten that while the Claim for Insurance Premiums (not exceeding one-sixth of income) is sure to be allowed, this is not so with reference to the Claim for Wear and Tear, in regard to which the Commissioners may allow "such deduction as they may think just and reasonable." Students should, of course, see a copy of the buff form, *Return for Assessment under Schedule D*, and note the principal matters on each page. **Students** should remember that the **standard rate** of tax is always charged on the profits of **Limited Companies** and Corporations. Formerly the full tax was 1/- in the £1, so that any exercises worked at the time this rate was operative are quite correct, notwithstanding that the tax is now 6/- in the £. On this page are given some particulars from which a **Statement** is compiled, showing the taxable profit. In addition to the special exercises on Income Tax it is excellent practice, after having worked an ordinary exercise containing Trading and P. & L. A/cs., to prepare a short Statement showing the Income Tax adjustments in respect thereof, although it be for one year only.

**Example 1.** (*Key on next page.*)

*PARTICULARS from PROFIT & LOSS A/cs.* as shown in the Private Ledger of Messrs. Taxpayer & Co.

| Year ended 31st December. | 1916. | 1917. | 1918. |
|---|---|---|---|
| Net Profit ..... | £5000 | .. | £3000 |
| Net Loss ..... | .. | £100 | .. |

| | | | |
|---|---|---|---|
| 1. Life Insurance Premium charged to Drawing A/c. | £50 | £50 | £50 |
| *The following amounts had been charged or credited before arriving at the above Profit or Loss.* | | | |
| 2. Interest on Mortgage | 100 | 100 | 100 |
| 3. Interest on Capital | 300 | 340 | 290 |
| 4. Subscriptions and Gifts | 20 | 25 | 25 |
| 5. Paid Ground Rent | 40 | 40 | 40 |
| 6. Depreciation of Machinery | 76 | 68 | 66 |
| 7. „ Buildings | 25 | 23 | 21 |
| 8. Income from Farms and Cottages (net) | 450 | 410 | 415 |
| 9. Income on Investments | 90 | 107 | 124 |
| 10. Partners' Salaries | 500 | 500 | 500 |
| 11. Bank Interest and Charges | 76 | 93 | 58 |
| 12. Repairs of Premises and Plant, etc. | 40 | 52 | 38 |
| 13. Fire Insurance | 10 | 10 | 10 |
| 14. Paid Income Tax, Schedule D | 10 | 10 | 10 |
| 15. Paid Income Tax @ 1/- in respect of Business Premises, Schedule A | 15 | 15 | 15 |

*Answer to Example 1.*

**Schedule D,** year ending 5th April, 1920.

**STATEMENT,** dated **1st June, 1919,** of **Profits** and **Losses** of *Messrs. Taxpayer & Co.* for Income Tax purposes for the three years ended 31st December, 1918.

| | 1916. | 1917. | 1918. |
|---|---|---|---|
| **Profit** as per Books | £5000 | | £3000 |
| **Add** to profits (deductions not allowed) | | | |
| 2. Interest on Mortgage | 100 | 100 | 100 |
| 2. Interest on Capital | 300 | 340 | 290 |
| 4. Subscriptions and Gifts | 20 | 25 | 25 |
| 5. Ground Rent | 40 | 40 | 40 |
| 6. Depreciation of Machinery | 76 | 68 | 66 |
| 7. Depreciation of Buildings | 25 | 23 | 21 |
| 10. Partners' Salaries | 500 | 500 | 500 |
| 14 and 15. Income Tax | 25 | 25 | 25 |
| | 6086 | 1121 | 4067 |
| **Loss** as per books | | 100 | |
| | 6086 | 1021 | 4067 |
| **Deduct** from profits (8) Income from Farms, &c. (9) Income from Investments. (14) Annual Value of Business Premises, £300 | 840 | 817 | 839 |
| | £5246 | £204 | £3228 |

£5246 + £204 + £3228 ÷ 3, £2892 13 4, being the **Average or Statutory** income to be stated on page 2 of the Return.

**330.** In the above **Statement** *no deduction* must be made for Depreciation of Machinery and Life Premium, but **Allowances** must be claimed on page 2 of the Return. Presuming that the Commissioners allowed the £66 for Depreciation of Machinery, the *net* assessment would be :—

| | | | |
|---|---|---|---|
| Total ..... | | £2892 | 13 4 |
| *Less* Wear and Tear of Machinery ..... | £66 | | |
| *Less* Life Assurance Premium ..... | £50— | 116 | – – |
| Net .... | | £2776 | 13 4 |

**331. DIMINUTION OF INCOME.** Where a person charged or chargeable with income tax in respect of any trade, profession, or vocation which has been **set up** or commenced within the period of **three years** upon the average of which the profits or gains are to be taken, or within the year of assessment, proves at the end of the year of assessment to the satisfaction of the Commissioners by whom the assessment has been or can be made that the actual profits or gains arising from the trade, profession, or vocation in the year of assessment fall short of the profits or gains as computed in accordance with the Act, he shall be entitled to be charged on the actual amount of the profits or gains so arising instead of on the amount of the profits or gains so computed, and, if he has paid the full amount of the tax on the profits or gains so computed, be entitled to repayment of the amount overpaid. It will, therefore, be seen that in the case of a **new business,** where the profit is assessed for the first year, say at £600, the trader will be required to pay tax upon that sum and will probably be assessed in advance for the second year at the same figure. Should the profit of the second year, however, be proved by the taxpayer to be only £400 he will be entitled to a repayment of the tax upon the difference—£200. But as soon as three years have elapsed since the end of the year in which the concern commenced, the power to obtain such a revision at the end of the assessment year ceases. If the profit for the second year should be

£1000 instead of £600 the Crown have not any power to claim tax on the increase, except through the medium of the averages of subsequent years.

**332. DISCONTINUANCE of BUSINESS.** Where a trade, profession, or vocation is discontinued in any year, any person charged or chargeable with tax in respect thereof, shall be entitled to be charged on the *actual* amount of the profits or gains arising therefrom in that year, and shall also, if he proves to the satisfaction of the Commissioners by whom the assessment has been or could have been made, that the total amount of the tax paid during the three previous years in respect of that trade, profession, or vocation, exceeds the total amount which would have been paid if he had been assessed in each of those years on the actual amount of the profits or gains arising in each year, be entitled to repayment of the excess. This is intended to relieve the taxpayer of the hardship caused by the system of averaging the profits of a *declining* business which is to be *discontinued*. For example, a trader decides to discontinue his business, on the 31st December, 1916, his statutory profits for the six preceding years being: 1910, £1800; 1911, £1500; 1912, £1200; 1913, £900; 1914, £600; 1915. £500.

| | | |
|---|---|---|
| Assessment for 1913-14 :— | | |
| £1800 + £1500 + £1200, average ... | £1500 | |
| *Less* Actual Income for 1913 .... | 900 | £600 |
| Assessment for 1914-15 :— | | |
| £1500 + £1200 + £900, average ... | £1200 | |
| *Less* Actual Income for 1914 .... | 600 | £600 |
| Assessment for 1915-16 :— | | |
| £1200 + £900 + £600, average ..... | £900 | |
| *Less* Actual Income for 1915 .... | 500 | £400 |
| Total amount upon which Tax is repayable | | £1600 |
| Assessment for 1916-17 :— | | |
| £900 + £600 + £500, average ..... | £666 13 4 | |

This would be reduced to the actual profit from 6th April, 1916, to 31st December, 1916, say three-fourths of the profits for the year to 31st December, 1916.

**333. Repayment** of **Tax,** deducted on the payment of interest, dividends and rent, may be obtained for a period not exceeding the **three years** previous to that in which the claim is made, by any *individual*, who can prove his title thereto. A taxpayer whose income is solely or chiefly derived from **investments,** should be careful to claim a repayment of tax in respect of the statutory **abatement** to which he is entitled. For example, take the case of John Smith, with a wife, and four children under 16 years of age, whose total income of £600 per annum, is derived from shares in limited liability companies. Smith pays a Life Assurance Premium of £20 a year. The tax at the standard rate of 6/-, amounting to £180, is paid by the companies. As Smith is entitled to an abatement of £225, as well as an allowance of £117 in respect of his four children, also to a return of the *difference* between the standard and lower rates on the balance of his unearned income, he should claim a repayment of £140, as he is only liable for £40, made up as follows :—

| | | |
|---|---|---|
| Unearned or Investment Income ..... | | £600 |
| *Less* Statutory Abatement ..... | £225 | |
| „ Allowance for 4 Children ..... | 117 | 342 |
| | | £258 |
| Tax on £225 @ half standard rate, 3/- in the £ ... | | £33 15s. |
| Tax on £33 @ full standard rate, 6/- in the £ ... | | 9 18s. |
| | | £43 13s. |
| *Less* Allowance for Assurance Premium, £20 @ 3/- | | 3 — |
| Total Tax chargeable ..... | | £40 — |

**Corporations** and **Companies** when remitting interest and dividends to stockholders and shareholders do so by means of a combined **Dividend Notice** and **Warrant,** perforated across the middle, so that the *lower part* of the Warrant may be detached for cashing. The following is a specimen of the *top part*, notice or voucher, and this must be attached to any Form of Claim for repayment of tax in respect of the interest or dividend it represents :—

**The Castner Kellner Alkali Company, Limited.**

**DIVIDEND NOTICE AND WARRANT (17.)**

13 Abchurch Lane, London, E.C.
28*th November*, 1919.

Herewith I beg to hand you a Warrant on the Bankers of the Company for Dividend at the rate of £20 per cent. per annum for the six months ended 30th September, 1918.

| | |
|---|---|
| On *200* Shares of £1 each ..... | £20 – – |
| *Less* Income Tax at 6/- in the £ ..... | 6 – – |
| | £14 – – |

I hereby certify that the Income Tax deducted will be duly paid to the proper official for the receipt of Taxes.

By order,
PERCY S. COURT,
*Secretary.*

To *John Jones, Esq.*

**334. Application** for **repayment.** In the first instance, apply for **form** of **claim No. 40** to the local Inspector of Income Tax, or to the *Secretary, Inland Revenue* (*Claims Branch*), *Cecil Chambers*, 86 *Strand, London, W.C.* 2. In **Ireland** the address is:—*Stamps and Taxes* (*Claims Branch*), *Customs House, Dublin.* This form should be filled up and returned together with the **dividend certificates** or other **vouchers** received from the Corporations, Companies, Tax Collectors, Mortgagees, or persons who have deducted the tax. Where no Certificate has been received, showing the deduction of tax, say between a mortgagor and a mortgagee, application should be made to the Inspector of Taxes for a copy of **Form No. 185,** which should be filled up by the mortgagor and returned to the mortgagee, so that the latter may attach it to the Claim for Repayment. **Certificates** are **not** required when claiming repayment of tax deducted on Stocks inscribed in the books of the **Bank of England,** Government Annuities, and payments received from the Supreme Court Pay Office, but claimants must furnish full particulars as to the name and description of Stock or Annuity, how received, the total amount of Stock held, and the date when the dividends become due.

**335. No dividends** are ever paid **free of Income Tax.** The statement that " the dividends are free of Income Tax " merely indicates that the *gross* dividend declared will be paid to the shareholder, who will *not* be required to pay any further tax upon this source of income, as the company has already paid the tax at the highest rate upon the whole of the profits earned. No *individual* shareholder is ever called upon to pay Income Tax upon dividends received from a public company carrying on business in the United Kingdom ; on the contrary he may be entitled to the return of tax on all or some of such dividends, as well as probably to some abatement or relief. When claiming the repayment of tax deducted on Interest or Dividends stated to be paid FREE OF TAX, care must be taken to claim the **full amount** of the tax on the **gross dividend.** To take a very simple illustration, suppose that the rate of Tax is 6/- in the £, and that the **net dividend** received is **£42 free of Tax,** in claiming repayment of Tax on this £42, the amount is not 6/- in the £ on £42 = £12 12 0, but 6/- in the £ on the **gross dividend of £60,** which, of course, equals **£18,** a difference of **£5 8.**

**336.** The **first page** of the **Claim** for **Exemption** must be filled up as shown below. The **second page** merely contains the Instructions for filling up page 3, and page 4 is only a continuation of page 3;

**FIRST PAGE of FORM.**

No. 40. **INCOME TAX - EXEMPTION CLAIM, 1919-20.**
**Income not exceeding £150 from all sources.**

The following particulars must be furnished by claimant—

Full name of claimant ..... *Emma Lester.*
If a lady, whether widow or spinster *Widow.*
Occupation (if none, or retired, state "none")..... *Draper.*
Residence ..... *110, Church Street, Leeds.*
Money Order office at which repayment is desired ..... *Leeds.*
Name of Agent (if any) ..... *Arthur Fieldhouse.*

I hereby authorise *Mr. Arthur Fieldhouse,* of *66, West Parade, Huddersfield,* to receive on my behalf the repayment due upon this claim.

Signature of Claimant—*Emma Lester.*
Date—*10th June, 1920.*

## THIRD PAGE of FORM of EXEMPTION.

### Declaration of Income.

I declare that the following is a true account of my income **from every source,** whether taxed or not, for the year to 5th April, 1920, and that I was resident in the United Kingdom during that period, and I therefore claim to be repaid the sum of £9 18s.

Signature, *Emma Lester,*
Date. *16th June, 1919.*

**The claimant must set forth every source of his income, with the amount derived from each source, whether tax has been paid on it or not.**

If the claim is by a married man the statement must include the income of his wife from all sources.

| No. 1.—Source of Income. | Annual Amount of Income from each source. £ | s. | d. | Amount of Income Tax paid or deducted from each Source of Income. £ | s. | d. |
|---|---|---|---|---|---|---|
| 1. *Occupation as Draper* ..... | 68 | - | - | | | |
| 2. *Owner and Occupier of house and shop at* 110, *Church Street, Hunslet, Leeds, assessed to the Poor Rate at*..... | 22 | - | - | | | |
| 3. *Leeds Corporation Stock* , £200 *at* 3½%.. | 7 | - | - | 2 | 2 | - |
| 4. *J. Watson & Sons, Ltd.*, £200 *Preference Shares at* 5% ..... | 10 | - | - | 3 | - | - |
| 5. *Castner-Kellner Alkali Co., Ltd.*, 100 *Ordinary Shares at* 20% ..... | 20 | - | - | 6 | - | - |
| Total amount of Income and Income Tax thereon.....£ | 127 | - | - | £11 | 2 | - |

**No. 2.—Particulars of Charges on Income such as Ground Rent, Annual Interest, &c.**

| Nature of the Charge. | Name & Residence of the Person to whom payable. | Annual Amount. £ | s. | d. |
|---|---|---|---|---|
| (*a*) Ground Rent .. | *Earl of Mexbro'* | 4 | - | - |
| (*b*) Mortgage or Loan £ at per cent | | | | |
| (*c*) Other Annual Charges ..... | | | | |
| Total Charges and Income Tax thereon | | 4 | - | - |
| Total Amount of Income less Charges, and amount of Income Tax claimed to be returned ..... | | 123 | - | - |

| | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| | | | | 1 | 4 | - |
| | | | | £9 | 18 | - |

## How to Fill up the RETURN for ASSESSMENT. under Schedule D.

**337. Henry Sykes** is a Corn Dealer. He owns and occupies a **Leasehold Farm** with a gross annual value of £80, the **Ground Rent** being £10 per annum. He owns six **Freehold Cottages,** the gross rental of which is £60. Sykes is a holder of £600 worth of **3½% India Stock,** and is a **Director** of the Hillside Laundry Co., Ltd., for which he receives a **fee of £20** a year. He has received from the Union Bank **£6** for Interest. His **wife** has an annual income of **£21** from Leeds Corporation **3½% Stock.** The **Life Insurance Premiums** payable to the General Life Assurance Co. on the life of Sykes and his wife are respectively **£20** and **£10.** There are **three children** living all under 16 years of age. The **Statutory Income** of Sykes in respect of his business as a Corn Dealer was for **1916-17, £270,** for **1917-18, £300.**

**Profit & Loss A/c. of Henry Sykes**

| Dr. for the year ending 31st December, 1918. | | | Cr. |
|---|---|---|---|
| To Wages | £140 | By Gross Profit from Trading A/c. | £710 |
| ,, Carriage | 32 | ,, Discount | 26 |
| ,, Rent and Rates | 53 | | |
| ,, Gas & Water | 16 | | |
| ,, General Expenses | 13 | | |
| ,, Bad Debts | 14 | | |
| ,, Income Tax | 5 | | |
| ,, Depreciation of Fittings | 10 | | |
| ,, Interest on Loan of £200 at 3½% | 7 | | |
| ,, Life Insurance Premiums | 30 | | |
| ,, NET PROFIT | 416 | | |
| | £736 | | £736 |

As the four last debit entries in the above P. & L. A/c., viz.:—Income Tax, £5; Depreciation, £10; Interest, £7, and Insurance Premium, £30; are **not** allowed as deductions, the total, **£52,** must be added to the Net Profit of **£416,** thus making the **Statutory Income** for **1918, £468.** This amount added to the Statutory Income of the two previous years, **£270** and **£300,** will give a **total of £1038,** with an average of **£346.** This amount must be entered at the **top of page 2** of the **Return for Assessment.** In entering the Particulars of Income on page 3 of the Return, the **gross** amounts of all interest and dividends must be

inserted, *not* the net amounts after the deduction of tax. When the amount received is "free of tax," the amount of tax must be **added** to arrive at the **gross** figure. The **Claim** for the allowance of the **Insurance Premiums** must be made at the **top of page 4,** and the **Claim** for relief in respect of **Wife** and **Children** must be filled up immediately below on **page 4.**

**Income-Tax Year, 1919-20.**

| Section C. | Page 2. Statement of Untaxed Income for Assessment under Schedule D. | Amount |
|---|---|---|
| | **FROM TRADE, PROFESSION, EMPLOYMENT OR VOCATION, viz.:—** | |
| | The Trade, Profession, or Business of *Corn Dealer*, carried on by *me* at *Market Street, Longton.* (*Average profits*).. | 346 |
| | **FROM INTEREST, ANNUITIES, ANNUAL PAYMENTS, AND DIVIDENDS, NOT TAXED BY DEDUCTION, AND FROM DISCOUNTS, viz.:—** | |
| | Interest on Banking Accounts or Deposits ..... | 6 |
| | TOTAL.. | 352 |
| | *Less*, in the case of Trade, Amount claimed for Wear and Tear of Machinery and Plant which should *not* be deducted in arriving at the above figues | – |
| | NET TOTAL.. | £352 |

**General Declaration.** I declare that in the foregoing statement I have given a full and true Return of the whole of the Income chargeable upon me under Schedule D, estimated to the best of my judgment and belief, according to the provisions of the Income Tax Acts. I desire to be assessed by the *District Commissioners.*

Given under my hand this *first* day of *May*, 1919.

*Henry Sykes*, Signature.

*61 Market Street, Longton*, Business Address.

*Holly Farm, Longton*, Private Residence.

**Section E.** **Claim for Allowance in respect of Life Assurance Premiums or Payments for Deferred Annuities.**

| State whether the Assurance or Annuity is on life of "Self" or of "Wife." | Name of Assurance Company or Friendly Society. | Date of Policy or Contract | Capital sum payable at death—exclusive of any additional benefit by way of bonus or otherwise. | Amount of Premiums claimed as an Allowance from the income returnedon page 2. £ | s. |
|---|---|---|---|---|---|
| *Henry Sykes,* | *General Assurance Co.* | *3rd May,* 1900 | £500 | 20 | – |
| *Mary Sykes,* | *ditto.* | | £250 | 10 | – |

I claim an allowance in respect of the foregoing amount of premiums, and I declare that I have not deducted the amount of such premiums in arriving at the profits or gains entered on this form, and that I have not claimed an allowance for the premiums from any other assessment upon me.

*HENRY SYKES*, Signature.

**Section D.** Claim for Exemption, Abatement, or Reduction of Rate of Tax. 

The Claimant must set forth every source of his Income, with the amount derived from each source, whether tax has been paid on it or not, and notwithstanding that the Income may have been received "free of tax" or "tax compounded." The word "None" should be written in any of the spaces (*a*) to (*f*) under the heading of which the claimant has no income. If there is not sufficient room to set out the Income in full hereon, particulars may be given on a separate sheet and the totals brought to this page.

| No. 1.—Particulars of Income. | Amount. £ | s. | d. |
|---|---|---|---|
| (*a*) From Trade, Profession, Employment, or Vocation :—*Corn Dealer* | 346 | – | – |
| (*b*) From any Public Office or any Employment not entered above. (*Name and Address of Employer to be stated*) :— *Fee as Director of Hillside Laundry Co., Ltd.* ..... | 20 | – | – |
| (*c*) From Property, including the annual value of the property which I own and occupy :— (*Precise address to be stated.*) *Holly Farm, Longton* ..... | 70 | – | – |
| *6 Cottages, Nos. 12 to 22 South Street, Longton* ..... | 50 | – | – |
| (*d*) From the Occupation of Land :— *Holly Farm, Longton* ..... | 160 | – | – |
| (*e*) From Dividends, Interest, Annuities, Colonial and Foreign Securities and Possessions, and any Income not already enteredelsewhere on this page, viz. :—(I) Income subjected to U.K. Income Tax before receipt. (II) Income not subjected to U.K. Income Tax before receipt. £600 3½% *India Stock* ..... | 21 | – | – |
| *Bank Interest* ..... | 6 | – | – |
| (*f*) Wife's Income, if not included above (*giving full particulars and stating whether subjected to U.K. Income Tax before receipt or not, If included above, it should be so stated; should there be no Income from this source, the word "None" should be inserted*) :— £600 *Leeds Corporation* 3½% *Stock* ..... | 21 | – | – |
| Total.... | 694 | – | – |

| No. 2.—Particulars of Charges on Income. If there are no Charges write "None." It is not sufficient to leave this space blank. (*Life Assurance Premiums should not be entered here, but on page 4.*) | Annual Amount payable. £ | s. | d. |
|---|---|---|---|
| Ground Rent on *Farm* payable to *Duke of Leeds* ..... | 10 | – | – |
| Mortgage or Loan :— £200 at 3½% from *John Smith* on ..... | 7 | – | – |
| Annuities, payable to ..... | | | |
| Patent Royalties, payable to ..... | | | |
| Other Annual Charges (if any), viz.....payable to.... | | | |
| Total Charges.... | 17 | – | – |
| Total Amount of Income FROM ALL SOURCES less Charges.... | 677 | – | – |

I declare that the above statement contains a full, just, and true account and return of the Whole of my Income from every source whatsoever, for the Year ending the 5th day of April, 1920, estimated according to the provisions of the Income Tax Acts, and I therefore claim the relief to which I am entitled in respect of such Income.

A Woman must state after her signature whether *married, Widow or Spinster.*

Given under my hand this *first* day of May, 1919.
Signed, *Henry Sykes.*
Private Residence, *Holly Farm, Longton.*

Page 4.

**Section F.** **Claim for Relief in respect of Wife, living with her husband.**

*Relief is only allowable where the total income does not exceed £800.*

Full Christian Names of Wife *Mary*

I claim an allowance in respect of my wife, named above, who is living with me.
*Henry Sykes*, Claimant's Signature.

**Section J.** **Claim for Relief in respect of Children, including Step-Children.**

| Name of each child under the age of 16 years on 6th April, 1919. | | Date of Birth. | | | Place of Birth. | Was the child alive on 6th April, 1919? |
|---|---|---|---|---|---|---|
| Surname. | Full Christian Names. | Day. | Month. | Year. | | |
| Sykes | Arthur | 10 | Feb. | 1908 | Longton | Yes. |
| Sykes | Harry | 12 | Dec. | 1910 | Do. | Yes. |
| Sykes | Herbert | 5 | Oct. | 1913 | Do. | Yes. |

I declare that the above-named children (three in number) are my children, or my step-children, that they were living on the 6th April, 1919, and that the above particulars are true and correct.

*Henry Sykes*, Claimant's Signature.

**338.** After **completing** the "Return for Assessment," make a **copy** of all the details entered therein, for reference when preparing the next Statement. **Send** the "Return" by post to the local **Assessor of Taxes** in the printed (official paid) envelope, which generally accompanies the Form. In due course Henry Sykes would receive from the Clerk to the Commissioners of Income Tax a **Notice of Assessment of Tax,** and intimating that in case of intention to appeal against the assessment, notice of objection must be given in writing 21 days from the date thereof to the Inspector of Taxes. At the end of the year Henry Sykes would receive the usual **Demand Note** from the Collector, requesting the payment of the duty, one half of which (subject to the usual abatements and allowances) would become payable on the 1st January, 1920, and the other half on the 1st July, 1920.

**339.** The **total income,** from all sources, of Henry Sykes, as shown on page 3 of the Return for Assessment, is **£679.** As a **married** man, Sykes is entitled to the **statutory abatement** of £225; plus £90 in respect

of his three children ; plus £50 12s. being one-tenth of his earned income ; plus £4 10s. being 3/- in the £ on the assurance premiums.

**340.** The **income** of Henry Sykes is classified below in accordance with the **Schedule** under which it would be taxed, and is divided into two columns showing the income taxed (**1**) by **deduction** at the source, (**2**) by **direct** assessment on Sykes. When paying the Ground Rent, £10, to the Duke of Leeds, and the interest on the Loan of £200, to John Smith, tax would be deducted at the full rate by Sykes.

| Schedules and Nature of Income. | Deducted at source. | | | Paid direct by Sykes. | | |
|---|---|---|---|---|---|---|
| **Schedule A.** *Unearned income.* | | | | | | |
| Holly Farm, Leasehold, gross annual value £80 ..... | | | | | | |
| Deduct £10 for Repairs ..... | | | | 70 | - | - |
| 6 Freehold Cottages, gross annual value £60 ..... | | | | | | |
| Deduct £10 for Repairs ..... | | | | 50 | - | - |
| **Schedule B.** *Earned income.* | | | | | | |
| Occupation of Holly Farm, gross annual value ..... | | | | 160 | - | - |
| **Schedule C.** *Unearned income.* | | | | | | |
| Interest at 3½% on £600 India Stock, tax being deducted by the Bank of England. ..... | 21 | - | - | | | |
| **Schedule D.** *Earned and Unearned income.* | | | | | | |
| Average Profits of Corn Business £346 Subject to the usual abatement and allowances ..... | | | | 346 | - | - |
| Interest at 3½% on £600 Leeds Corporation Stock, tax being deducted by the Corporation, which would be assessed upon its statutory profits ..... | 21 | - | - | | | |
| Interest received from the Union Bank | | | | 6 | - | - |
| **Schedule E.** *Earned income.* | | | | | | |
| Director's Fee, Hillside Laundry Co., Ltd. ..... | | | | 20 | - | - |
| **Total taxable income of Sykes** .... | £42 | - | - | £652 | - | - |

**341. EXCESS PROFITS DUTY.** While the effect of the war, on the one hand, has been to reduce the income of thousands; on the other hand, it has largely increased the profits of many business concerns, particularly those engaged in supplying the Forces with the necessaries of life and munitions. Just as it is reasonable to afford relief in the taxation of those who have suffered from reduced incomes, so it is equitable to impose additional taxation upon those who have made extraordinary profits. Therefore the Finance Act provides that where the **profits** of any **business** in any accounting period made after the 4th August, 1914, and before 1st July, 1915, exceeded by more than **£200** the **pre-war standard** of profits, a **duty** of **50 per cent.** shall be **charged** upon that **excess.** By the Act of 1916 the E.P.D. was increased to **60 per cent.**, and on 1st Jan., 1917, to **80 per cent.** The duty was reduced as from 1st Jan., 1919, to **40 per cent,** and increased to **60 per cent.** as from 1st Jan., 1920. This duty is *not* chargeable on the incomes of farmers, professional men, officials and employees.

The **accounting period** is the time covered by the last set of accounts, made up after the 30th June, 1914. Most concerns balance their books and prepare the annual accounts at the end of the year, 31st December, in which cases the accounting period would be the whole of the year 1914. In these instances the accounting period would include profits made during the seven months (January to July) preceding the war, and five months (August to December) after the commencement of the war. In **computing** the **profits** of the **accounting period,** as well as those of the pre-war trade years, the **actual profits** (*not the average*) of each year must be **ascertained separately.** The principles laid down by the **Income Tax Acts** concerning the items to be included in the accounts will be applied, *except* in regard to interest on borrowed money, rents, royalties, and other payments on which tax is collected at the source, all of which may be *charged* against the *profits.* Payments to directors and managers shall not, except under special circumstances, exceed the sums allowed for those purposes in the last pre-war trade year. Income derived from investments shall *not* be credited, except in the case of Trust, Insurance, and kindred companies. The **pre-war standard** of **profits** may be ascertained by one of **two methods,** at the option of the taxpayer.

(a). The **average profits** of the **best two out of the last three pre-war trade years;** with the proviso that where it can be shown that the last three years were periods of *abnormal depression,* any **four** of the **last six pre-war trade years** may be substituted. The claim to *abnormal depression* is not permissible unless the average profits of the three pre-war trade years are at least **25 per cent. below** the average of the three preceding years.

(b). The **percentage standard** on the **capital** employed in the business, at the rate of **6 per cent.** in case of a company or corporation, and **seven per cent.** in the case of a sole trader or firm. These statutory percentage rates may be increased on appeal to the Board of Referees.

(a). **Example 1** of **Average Profits Standard**:—

| | | |
|---|---|---|
| Profits for year ending 31st December, | 1911 | £1900 |
| „ „ | 1912 | 2200 |
| „ „ | 1913 | 3400 |
| „ „ | 1914 | 9600 |

The **best two pre-war trade years** were:—

| | | |
|---|---|---|
| Year ending 31st December, | 1912 | £2200 |
| „ „ | 1913 | 3400 |
| | Divide by 2 | )5600 |
| to ascertain the **Average pre-war Standard** | | £2800 |

| | | |
|---|---|---|
| **Profits** for year ending 31st December, 1914, being the **accounting period** | | £9600 |
| *Deduct* Exemption | £200 | |
| *Deduct* pre-war Standard | 2800 | 3000 |
| 50 per cent of | | )6600 **excess** |
| will produce the **Excess Profits Duty** | | £3300 |

**Example 2** of **Average Profits Standard**:—

| | | |
|---|---|---|
| Profits for year ending 31st December, | 1908 | £8400 |
| „ „ | 1909 | 6000 |
| „ „ | 1910 | 4800 |
| „ „ | 1911 | 2900 |
| „ „ | 1912 | 2800 |
| „ „ | 1913 | 1500 |
| „ „ | 1914 | 9925 |

The average profits of the three pre-war trade years—1911, 12, 13, are **more than 25 per cent. lower** than the **average** of the **three preceding years**, 1908, 9, 10, therefore the taxpayer may take advantage of his option, and substitute the **four best years** out of the **six pre-war trade years.**

| | | | |
|---|---|---|---|
| Year 1911 | £2900 | Year 1908 | £8400 |
| „ 1912 | 2800 | „ 1909 | 6000 |
| „ 1913 | 1500 | „ 1910 | 4800 |
| Divide by 3 | £7200 | Divide by 3 | £19200 |
| Average | £2400 | Average | £6400 |

The **four best years** were:—

| | |
|---|---|
| 1908 | £8400 |
| 1909 | 6000 |
| 1910 | 4800 |
| 1911 | 2900 |
| Divide by 4 | £22100 |
| to ascertain the **Average pre-war standard** | £5525 instead |

of £2400, thus reducing the duty by half of £3125 = £1562.

**Profits** for year ending 31st December, 1914,

| | | |
|---|---|---|
| being the **accounting period** ..... | | £9925 |
| *Deduct* Exemption ..... | £200 | |
| *Deduct* pre-war Standard ..... | 5525 | 5725 |
| 50 per cent. of | | )£4200 excess |
| will produce the **Excess Profits Duty** | | £2100 |

**(b) Example of Percentage Standard:—**

**Net Capital** of Company **£50,000.**

| | | |
|---|---|---|
| Profits for year ending 31st March, | 1912 | £2700 |
| " " | 1913 | 1900 |
| " " | 1914 | 1600 |
| " " | 1915 | 9800 |

The **best two pre-war trade years** were the :—

| | |
|---|---|
| Year ending 31st March, 1912 ..... | £2700 |
| " " 1913 ..... | 1900 |
| Divide by 2 | )£4600 |
| As this average pre-war standard of profits | £2300 |

**is less than six per cent.** (£3000) on the **Net Capital** of £50,000, the **percentage standard** may be adopted as the pre-war standard in this case, thus :—

| | | |
|---|---|---|
| Profits for year ending 31st March, 1915 | | |
| being the **accounting period** ..... | | £9800 |
| *Deduct* Exemption ..... | £200 | |
| *Deduct* pre-war **percentage standard** | 3000 | 3200 |
| 50 per cent of | | )£6600 excess |
| will produce the **Excess Profits Duty** | | £3300 |

**Capital and Percentage.** When the percentage standard is adopted it is necessary, for the purposes of uniformity, that the statutory definition of Capital should be observed. By the Finance (No. 2) Act, 1915, the capital of a trade or business is defined, so far as it does not consist of money, to be—(*a*) so far as it consists of assets acquired by purchase, the price at which those assets were acquired, subject to any proper deductions for wear and tear or replacement, or for unpaid purchase money; and (*b*) so far as it consists of assets being debts due to the trade or business, the nominal amount of those debts subject to any reduction which has been allowed in respect of those debts for income tax purposes; and (*c*) so far as it consists of any

other assets which have not been acquired by purchase, the value of the assets at the time when they became assets of the trade or business, subject to any proper deductions for wear and tear or replacement; but except in the case of Investment, Trust, or Insurance Companies, investments shall not be included as part of the Capital. All liabilities of a trade or business, including borrowed money, shall be deducted in ascertaining the amount of Capital. Where any asset has been paid for otherwise than in cash, the cost price of that asset shall be taken to be the value of the consideration at the time the asset was acquired, but where a trade or business has been converted into a company and the shares in the company are wholly or mainly held by the person who was owner of the trade or business, no value shall be attached to those shares so far as they are represented by goodwill or otherwise than by material assets of the company unless the Commissioners of Inland Revenue in special circumstances otherwise direct. Patents and secret processes shall be deemed to be material assets.

**Notice** of **liability** to **Excess Profits Duty** must be given by all who are chargeable to the *Commissioners of Inland Revenue, Somerset House, London, W.C.*, otherwise they are liable to a penalty of £100. After notice has been given by the taxpayer, he will receive from the Inland Revenue a **Form** of **Return** to be filled up by him within **two months** from the date of receipt, beyond which time the taxpayer incurs a **penalty** of **£10 per day** for delay in making the Return. On receipt of the Return the Commissioners will make the assessment, the amount of which will become **payable** within the next **two months**, notwithstanding any appeal. Should the taxpayer be successful in obtaining a reduction on appeal that amount would be repaid in due course.

The **Excess Profits Duty** forms a **deductible expense** in arriving at the **Schedule D** assessment, not from the year in which the profits charged to the duty are made, but from the actual year of payment. For example, assuming the payment of £3960 to be made in the trading year 1st April, 1916, to 31st March, 1917, when the profits are £12300, that amount will be reduced to £9000 in arriving at the Income Tax averages for 1917-18, 1918-19, 1919-20, thus :—

| | | |
|---|---|---|
| Profits for year ending 31st March, 1915.. | | £9800 |
| " " 1916.. | | 11800 |
| " " 1917.. | £12300 | |
| " *Deduct* Excess Profits Duty .. | 3960 | 8340 |
| | Divide by 3) | £29940 |
| Income Tax Assessment, 1917-18 | | £9980 |

### Income Tax Exercise 1.

Prepare an Income Tax return showing the amount payable under Schedule D for the year ending 5th April, 1908, from the following particulars :—Net Balance of P. & L. A/cs., 1904, Profit £1500 ; 1905, Loss £400 ; 1906, Profit £900. The following had been debited to the A/cs. before arriving at these balances :—Int. on a Mortgage of £4000 at 4% each year, Bank Int., 1904 £30, 1905 £40, 1906 £20, Int. on Cap. £500 each year. An amount of £100 had been written off each year on A/c. of Goodwill, and the following amounts had been charged for Income Tax :—1904 £75, 1905 £45, 1906 £60.

**Answer.**—*Profits* £2335, £405, £1720 ; *Average* £1486 13 4.

### Income Tax Exercise 2.

John Jones died on 31st March, 1907, without paying the Income Tax due 1st Jan., 1907. What amount should you, as Executor, pay on the following private A/c. for the year up to his decease :—

| | | | |
|---|---|---|---|
| Premiums on Life Assurance | £300 | Dividend from Companies from which Tax has been deducted | £1000 |
| Interest on Loan after deducting Tax | 200 | Interest on Bank Deposits | 250 |
| Paid off Loan | 2500 | Rents upon which tax has been allowed under Schedule A | 500 |
| House Rent | 150 | Interest on Mortgages from which tax has been deducted | 800 |
| Living Expenses | 1500 | Salary as Managing Director of Companies | 2000 |
| Charities | 100 | Share of profits on a joint venture in a shipment of goods to Siberia | 1000 |
| Invested | 200 | | |
| Losses on speculation on Stock Exchange | 600 | | |

**Answer.**—*Tax payable on* £2950.

### Income Tax Exercise 3.

A Colliery Proprietor's books showed profits in 1903, £2000 ; 1904, £1500 ; 1905, £8000 ; 1906, £6500 ; 1907, £3000. In arriving at these results, £500 for his services, £800 for Int. on Cap., £250 for Income Tax paid, £50 for Charities, £750 for Mine Rents or Royalties, £80 Contribution to the Colliery Owners' Defence Association, £350 for Depreciation of Plant, and £200 for Exhaustion of Freehold, had been charged each year, and in 1904 a payment of £35 for legal expenses on the purchase of the freehold.

**Answer.**—*Profits*, £4980, £4515, £10980, £9480, £5980. *Average* £7187, *subject to allowance for Wear and Tear of Plant.*

### Income Tax Exercise 4.

Clay, Fry, and Hill carried on business, sharing results equally. They owned their own works, which were assessed for property tax at £800. Their books showed the following profits : 1905, £2600 ; 1906, £3000 ; 1907, £2500 ; in arriving at which,

Salaries of partners £900, Interest on Capital—Clay on £15000, Fry on £7000, and Hill on £5000 at 5%, Bank Int. £250. Depreciation of Buildings £400, and of Machinery £750 (7½%), Income Tax paid £150, and Property Tax £33, were charged, and Dividends from investments £95 were credited, each year, and £50 loss on sale of shares was charged in 1907. Clay's life was insured for £1000, upon which *he* paid a premium of £30 a year. Make up the A/c. for Income Tax 1908-9, and apportion to each partner the amount upon which tax would be payable. The rate of tax was 1/- in the £.

**Answer.**—*Profits* £5428 ; £5828 ; £5378 ; *Average* £5544 13 4. *Claim for Wear & Tear of Machy.* 5% £500. *Partners' assessments :—Clay* £1981 11 1 (*subject to deduction of* £30 *for premium*) ; *Fry* £1581 11 1 ; *Hill* £1481 11 2.

## Income Tax Exercise 5.

Dean, Hall, and Thorp carry on in partnership the business of tailors, sharing profits after charging partners' salaries and int. on cap., equally. They are entitled to 5% int. on cap., Dean £2000, Hall £1000, Thorp £500. They draw as salary per week—Dean £5, Hall £3, Thorp £4. The net profits of the business, after debiting to P. & L. A/c. the above items, and also Loan Int. £50, Depreciation of Freehold Premises owned by the firm £50, Bank Int. and Charges £35, and Depreciation of Tools and Machines £25, are as follows :—1906, £600 ; 1907, £615 ; 1908, £750. The net assessable value of the firm's premises is £50. Income Tax, both Schedule A and Schedule D, is charged directly to the partners and not passed through the P. & L. A/c. Make out A/c. showing the amount upon which the firm should be assessed under Schedule D for the year 1909-10. Show the amount upon which each partner would be liable to assessment, and state what amount of abatement each would be entitled to, none of them having any other income.

**Answer.**—*Profits* £1474 ; £1489 ; £1624 ; *Average* £1529, *subject to allowance for Wear & Tear of Tools & Machines. Partners' assessments :—Dean* £475 ; *Hall* £291 ; *Thorp* £318.

## Income Tax Exercise 6.

King, Barr, and Lord are partners. Net profits, after paying int. on cap. and management salaries of £200 to King and £300 to Barr are divided equally. Lord put in £6000, on which he receives 5%, King and Barr put in no cap. Lord has a private income of £2000 per year, in respect of which he makes a separate return to the Income Tax Authorities, leaving the tax on his income from the business to be settled by the firm. King and Barr have no private income. The firm returns its assessable profits which are accepted by the Surveyor, for the

year to 31*st December*, 1906, £900; 1907, £1200; 1908, £1800; 1909, £2500. What tax was payable by the firm in respect of the year ended 5th April, 1910? State how much of the tax paid was chargeable to each partner.

Under the circumstances enumerated above, Barr pays an annual premium of £100 on a policy of his life. King is uninsured. Upon what amount is tax payable by each member of the firm?

**Answer.**—*Average of the firm* £1300; *Tax paid by King on* £206 13 4; *Barr on* £238 17 10; *Lord on* £466 13 4.

## MISCELLANEOUS EXERCISES.

### Exercise 70 (*Chartered Accountants*).

Prepare Trading, P. & L. A/cs. and B/S. of Tyler & Co., from the following T.B. and particulars as on 30th June, 1900. **Stock** 30th June, 1900, £3750; Rent, £200 a year, is charged to 31st March, 1900; repairs to engine, estimated at £90, a/c. not yet received. Provide 2½% on book debts for discounts, £150 for estimated loss by bad debts, and £20 for int. accruing on loan.

| **Dr. Balances—** | |
|---|---|
| Sundry Debtors | £5140 |
| Bills Receivable | 217 |
| Advance on Loan | 500 |
| Cash in hand | 44 |
| Stock at 30th June, 1899 | 3020 |
| Purchases | 7386 |
| Wages, productive | 4839 |
| Wages and Salaries, unproductive | 1045 |
| Travelling Expenses | 503 |
| Int. and Bank Charges | 173 |
| Stationery, Printing & Stamps | 284 |
| Rates, Rents and Insurance | 222 |
| **Dr. Balances**—continued | |
| Discounts and Allowances | £258 |
| Coal, Coke and Engine Exs. | 264 |
| Carriage | 206 |
| Incidental Expenses | 151 |
| Commissions | 50 |
| Bad Debts | 97 |
| **Cr. Balances—** | |
| Sundry Creditors | 2692 |
| Bills Payable | 658 |
| Bank Overdraft | 1065 |
| Sales | 16406 |
| Rents & Steam Power (recd.) | 329 |
| Capital | 3249 |

**Answer.**—*Gross Profit* £4705; *Net* £1592 5; *Cap.* £4841 5.

### Exercise 71 (*Chartered Accountants*).

Prepare Trading, P/L. A/cs. and B/S. of Watson & Co. from the T.B. and particulars given below on 30th June, 1901. **Stock** at the end of the year, £8550. Make provision of 5% on debts for discount and £200 for loss by bad debts.

| **Dr. Balances—** | |
|---|---|
| Drawing A/c. | £420 |
| Stock, 30th June, 1900 | 8000 |
| Purchases | 9500 |
| Wages | 6100 |
| Carriage and Freight | 1200 |
| Coal, Coke | 600 |
| Travelling Expenses | 450 |
| Rent, Rates, Insurance | 300 |
| Trade Expenses | 500 |
| Discounts | 65 |
| **Dr. Balances** continued— | |
| Plant and Machinery | £3500 |
| Sundry Debtors | 4300 |
| Land and Premises | 6890 |
| Cash | 80 |
| **Cr. Balances—** | |
| Capital | 14960 |
| Bank Overdraft | 145 |
| Sales | 20000 |
| Sundry Creditors | 6800 |

**Answer.**—*Gross Profit* £3750; *Net* £1430; *Cap.* £15,970.

### Exercise 72 (*Chartered Accountants*).

Prepare Trading, P/L. A/cs. and B/S. from the following T.B. of Brown & Jones' books, the **Stock** at the close of period being £5294. Share profits and losses equally.

| | |
|---|---|
| **Dr. Balances—** | |
| Brown's Withdrawals | £732 |
| Jones' Withdrawals | 564 |
| Purchases | 25261 |
| Investments | 732 |
| Wages | 3640 |
| Debtors | 11825 |
| Rent | 520 |
| Professional Charges | 75 |
| Cash | 32 |
| Land and Buildings | 20698 |
| Machinery | 8342 |
| Salares | 967 |
| Office Expenses | 235 |
| **Dr. Balances** continued— | |
| Repairs and Renewals | £372 |
| Interest and Discount | 932 |
| Bills Receivable | 640 |
| **Cr. Balances—** | |
| Creditors | 9376 |
| Thos. Brown's Capital | 15239 |
| Edwin Jones' Capital | 12658 |
| Dividend on Investments | 72 |
| Loan | 400 |
| Bankers | 325 |
| Bills Payable | 2364 |
| Depreciation Fund | 2459 |
| Sales | 32674 |

**Ans.**—*Gross* £9067 ; *Net* £6038 ; *Cap. T.B.* £17526 ; *E.J.* £15113.

### Exercise 73 (*C.A.*)

Prepare Trading A/c., P/L. A/c., and B/S. of Brown & Dean from the following T.B. on 31st Dec., 1901. **Stock** £6560. Alfred Brown takes two-thirds and Charles Dean one-third of net profit. The partners are to be credited with 5% int. on the amount at credit of their Cap. A/c. as from previous B/S.

| | |
|---|---|
| **Dr. Balances—** | |
| Alfred Brown's Drawings A/c. | £1400 |
| Chas. Dean's Drawings A/c. | 800 |
| Furniture | 440 |
| Debtors | 6280 |
| Purchases | 43680 |
| Salaries | 820 |
| Wages | 4380 |
| Stock | 7390 |
| Rent and Rates | 760 |
| **Dr. Balances** continued— | |
| General Expenses | £1430 |
| Cash at Bank | 2600 |
| Cash in hand | 20 |
| **Cr. Balances—** | |
| A.B. Cap. A/c. (1st Jan., 1901) | 4600 |
| C.D. Cap. A/c. (1st Jan., 1901) | 2800 |
| Creditors | 7630 |
| Sales | 54970 |

**Ans.**—*Gross* £6080 ; *Net* £2700 ; *Cap. A.B.* £5230 ; *C.D.* £3040.

### Exercise 74 (*C.A.*)

On 1st Jan., 1901, the partners' cap. (which bears int. at 5% per ann.) was thus :—Alf. Addy, £9652 ; Ben Burt, £8421 ; Cecil Caine, £5238 ; and Dan Dodd, £2226. A.A. lends the firm £4000 on 1st July, 1901, and B.B. £2000 on 1st Oct., 1901, both at 5% per ann. The credit bal. of the P. & L. A/c., after debiting it with all charges except int. on partners a/cs., was £6814 17s. The partners withdrew during the year :—A.A. £520 (interest accrued thereon £24) ; B.B. £430 (int. £16) ; C.C. £350 (int. £12) ; D.D. £230 (int. £10). Prepare P. & L. A/c., and adjust the partners' a/cs. as on 31st Dec., 1901 ; they receiving profits or being charged with losses thus :—A.A. one-half ; B.B. one-fourth ; C.C. one-eighth ; D.D. one-eighth.

**Answer.**—*Interest on Capital, A.A.* £480 12 ; *B.B.* £415 11 ; *C.C.* £256 8 ; *D.D.* £109 16. *Net Profit* £5427 10s. ; *Cap. A.A.* £12,426 7s. ; *B.B.* £9788 8s. 6d. ; *C.C.* £5822 16s. 9d. ; *D.D.* £2784 4s. 9d.

### Exercise 75 (*C.A.*)

Hy. Pratt, Fred Jones, and John Todd entered into partnership on 1st July, 1901. Pratt brought in as cap. £3000, Jones £2000, and Todd £1000. They were to share profits in the proportion of three-sixths, two-sixths, and one-sixth, but as Jones and Todd were the working partners they were to be credited at the close of each current year, by way of salary, with the respective sums of £250 and £150. Pratt was to be allowed to draw each year as against profits £500, Jones £350, and Todd £250, but int. at 5% was to be charged on such drawings ; the deed also provided that Jones and Todd should have the right to bring in extra cap. not exceeding £1600 each, and that they were to be credited with 5% int. on all capital. On closing books 30th June, 1902, partners had drawn :—

| *Pratt*, | | *Jones*, | | *Todd*, | |
|---|---|---|---|---|---|
| 1st Sept., | £100. | 1st Augt., | £80. | 1st Augt., | £60. |
| 1st Nov., | 150. | 1st Sept., | 70. | 1st Sept., | 50. |
| 1st Dec., | 200. | 1st Oct., | 100. | 1st Nov., | 80. |
| | | 1st Dec., | 85. | 1st Dec., | 20. |

On the 1st Oct., Jones brought in as additional cap. the sum of £250 and Todd £400. On making up the books on the 30th June, 1902, and before either the salary or int. to partners had been dealt with, the bal. to the credit of P. & L. stood at the sum of £2200. Make the necessary closing entries, and prepare Cap. and P. & L. A/cs. showing the exact position of the partners on 1st July, 1902.

**Answer.**—*Net Profit* £1511 10s. 5d., *Cap. H.P.* £3440 15s. 2d.; *F.J.* £2765 8s. 1d. ; *J.T.* £1648 16s. 9d.

### Exercise 76 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. of Arthur Berry, from the following, for the year ending 30th June, 1902.

| | |
|---|---|
| Cap. of A. B., 1st July, 1901, £15000. Drawings of A. B. | £1500 |
| Stock-in-trade, 1st July, 1901, £8000. Purchases..... | 24000 |
| Consignments made by A.B. at cost, and still unsold .. | 1000 |
| Wages, £9000 ; Cash Balance ..... | 2000 |
| Rents, rates and taxes, and trade exs. at works ..... | 500 |
| Fire Incse., of which £35 represents premiums prepaid.. | 100 |
| Sales (after deducting returns) including consignments.. | 41000 |
| Rents of cottages belonging to A.B. received during the year ..... | 150 |
| Advances on consignments, £500 ; Creditors on open a/cs. | 3000 |

Plant and machinery, depreciation to be provided at 10% £4000
Commission to travellers, £1200; Discount Dr. balance.. 1250
B/R. in hand at 30th June, 1902, £4000; B/P. current .. 2500
Office rent and salaries of clerks, including incidental exs. 900
Loan from bankers, int. accrued, £25, to be added ..... 2200
Debtors (out of which reserve £400) for doubtful debts .. 6900
Int. on cap. at 5% per ann. to be provided. **Stock** £7500.

**Answer.**—*Gross Profit* £7500; *Net* £2160; *Cap.* £16410. *Total of B/S.* £24635.

## Exercise 77 (*C.A.*)

Thomas Thacker carried on business for a number of years as a cloth manufacturer, and on 1st July, 1901, he agreed to take his manager, Alfred Barker, into partnership. Thacker's books were made up to that date, and his position was as follows: **Dr. Balances:** Freehold Mill £12500; Machinery, Utensils, &c., £2500; Office Furniture £200; Stock on hand £1750; Book Debts £1050; **Cr. Balances:** Yorkshire Bank £1425; General Crs. £975; Thacker's Cap. £15600. The articles of partnership provided that 5% was to be allowed on the partners' cap. and that there should be written off each year as depreciation 2½% from the freehold, 7½% from the machinery and utensils, and 5% from office furniture and book debts. Thacker was to take three-fourths and Barker one-fourth of the net profits. On the 1st of each month Thacker was to draw as against profits £62 10, and Barker £20 16 8. On the 30th June, 1902, **stock** was taken at £2850, and the T.B. of the books was as follows:—Make closing entries, having due regard to the provisions of the articles of partnership, and prepare the P/L. A/c. and B/S.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Freehold Mill ..... | £12500 | Travelling Expenses ..... | £100 |
| Machinery and Utensils ... | 2500 | Thacker's Drawings ..... | 750 |
| Office Furniture..... | 200 | Barker's Drawings ..... | 250 |
| Book Debts ..... | 1850 | | |
| Wages and Salaries ..... | 3150 | **Cr. Balances—** | |
| General Expenses ..... | 95 | Yorkshire Bank ..... | 950 |
| Freight and Carriage ..... | 105 | General Creditors ..... | 1450 |
| Interest and Discount ..... | 70 | Thacker's Capital ..... | 15600 |
| Taxes ..... | 30 | Goods A/c. ..... | 3600 |

**Ans.**—*Profit* £1517 10; *Cap. T.T.* £16768 2 6; *A.B.* £129 7 6.

## Exercise 78 (*C.A.*)

Make the necessary closing Journal entries, and prepare Trading A/c., P/L. A/c. and B/S. of Samuel Johnson's books as on the 31st Dec., 1902, when the T.B. stood as below. **Stock** £866.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Stock, 1st Jan., 1902 ..... | £902 | Wigan Banking Co. ..... | £523 |
| Purchases ..... | 4868 | Trade Debtors ..... | 2549 |
| Salaries ..... | 226 | Loan Debtor, William Smith | 63 |
| Wages ..... | 700 | Drawing A/c. ..... | 400 |
| Carriage and Freight ..... | 152 | | |
| Rents, Taxes and Insurance | 526 | **Cr. Balances—** | |
| Office Expenses ..... | 194 | Capital A/c. ..... | 3000 |
| Discount and Allowances..... | 346 | Trade Creditors ..... | 399 |
| Bad Debts ..... | 23 | Sales ..... | 8073 |

**Answer.**—*Gross Profit* £2317; *Net* £1002; *Cap.* £3602.

### Exercise 79 (*C.A.*)

Thos. Hymer and Wm. Stobart carried on business in Co-Partnership as Millers, each having an equal share in the Profits; and on the 31st Dec., 1901, their Cap. amounted to £7000; of which £4000 stood to the credit of Hymer, and £3000 to the credit of Stobart. On the 1st Jan., 1902, they took in as third partner Jas. Brodie, who brought in Cap. to the extent of £3500, and by Deed the Shares in the Co-Partnership were fixed at three-eighths to each of the original partners, and two-eighths to Brodie, each to be credited with int. at 5% upon the amount of his cap. On the 31st Dec., 1902, the books were closed and a net profit was found to have been made of £3000, but no Interest upon Cap. had been charged. Prepare P/L. and Cap. A/cs. showing the position of each partner.

**Answer.**—*Net Profit* £2475; *Cap. T.H.* £5128 2 6; *W.S.* £4078 2 6; *J.B.* £4293 15.

### Exercise 80 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. of Smith & Jones, Potters, from the following T/B. on 30th Sept., 1903. **Stock,** 30th Sept., 1903, £1200; Write off Depreciation of Plant and Machinery, &c., £100; Credit H. Jones with £100 for management. Credit partners with int. on Cap. at 5% less Int. on Drawings (J.S. £2, H.J. £8). Divide profits equally.

| **Dr. Balances**— | |
|---|---|
| Smith's Drawing A/c. | £50 |
| Jones' Drawing A/c. | 320 |
| Machinery, Plant, Tools, Horses, Carts, &c. | 1700 |
| Stock, 1st October, 1902 | 1000 |
| Cratewood (Trading A/c.) | 70 |
| Gas and Water | 20 |
| Repairs, &c. | 120 |
| Clay Purchases | 350 |
| Straw Purchases | 120 |
| Coal and Fuel (Trading A/c.) | 1000 |
| Wages | 2700 |
| Horse & Cart Expenses | 100 |
| Travelling Expenses | 100 |
| Bad Debts | 100 |
| Discount & Allowances | 500 |
| **Dr. Balances** continued— | |
| Carriage and Carting | £50 |
| Sundry Purchases | 50 |
| Bank Charges & Interest | 40 |
| Incidental Expenses | 70 |
| Rents, Rates & Taxes | 150 |
| Advertising, Stationery and Printing | 20 |
| Debtors | 1620 |
| **Cr. Balances**— | |
| John Smith Capital A/c. | 2000 |
| Hy. Jones Capital A/c. | 1000 |
| Sales, Earthenware | 6000 |
| Sales, Charged for Packing and Crates | 200 |
| Sundry Creditors | 500 |
| Bank Overdraft | 550 |

**Ans.**—*Gross* £2060; *Net* £500; *Cap. J. S.* £2298; *H.J.* £1072.

### Exercise 81 (*C.A.*)

Prepare P/L. A/c. and B/S. of William Beaumont for the half-year ended 31st Dec., 1902, from the T.B. below. **Stocks** 31st Dec., Iron Bars, £1000; Tools, £700; Wire, £400; Bricks, nil; Merchandise, £160. Write off one-half of goodwill, and 10% from Fixtures and Furniture. Credit half-year's int. at 5% per ann. on Loan and also on Cap. Further Reserve for Income Tax £86.

*The *five starred* A/cs. have been debited with the stocks on 30th June, 1902, and with purchases, and credited with Sales.

| **Dr. Balances—** | |
|---|---|
| Debtors as per Schedules ... | £6410 |
| Bills Receivable | 450 |
| Fixtures and Furniture | 300 |
| Goodwill | 700 |
| Rich's Bank, Ltd. | 2300 |
| German's Bank | 500 |
| Cash | 20 |
| W. B. Drawing A/c. | 550 |
| Rent and Rates | 110 |
| Insurances | 120 |
| Travelling | 650 |
| Salaries | 560 |
| Advertising & Stationery | 250 |
| Telegrams & Stamps | 190 |
| **Dr. Balances** continued— | |
| Bank Charges | £50 |
| Discounts & Exchanges | 280 |
| Office & Incidental Expenses. | 210 |
| **Cr. Balances—** | |
| Creditors as per Schedule ... | 3900 |
| Income Tax Reserve A/c. ... | 100 |
| Capital A/c. | 5000 |
| Iron Bars A/c. balance | 500* |
| Tools A/c. balance | 1800* |
| Wire A/c. balance | 750* |
| Bricks A/c. balance | 400* |
| Merchandise (Sundries) A/c. bal. | 180* |
| Loan A/c. | 1000 |

**Ans.**—*Net Profit*, £2854 ; *Cap.*, £7449 ; *Total of B/S.* £12,560.

## Exercise 82 (*C.A.*)

A London Australian Trading house has the following position at 1st Jan., 1903 :—Cap. A/c.—John Wise, £10000 ; Wm. Tate, £9000 ; Stocks at home, £896 ; Stocks at Melbourne, £8320 ; Machinery and Fixtures, £1000. Transactions during 1903 :— **Dr. Balances:** Purchases, £32360 ; Salaries, £250 ; Wages, £1750 ; Freight and Charges, £2830 ; Trade Exs., £870 ; Rent, Rates, and Fire Insurance £620 ; J. W., Drawings (without interest) £650 ; W.T. Drawings (without interest) £650 ; Bank Charges and Int., £110 ; Bad Debts written off, £280 ; **Cr. Balances:** Sales, £39860 ; Discounts recd., £270 ; Commission recd., £1000.

At 31st Dec., their Assets and Liabilities are as follows :— Debtors, £8983 ; Stocks at home, £1240 ; Stocks at Melbourne, £9080 ; Cash in hand, £360 ; B/R. on hand, £2990 ; B/P. £3200 ; Bankers' Overdraft, £2689 ; Creditors, £900 ; Advances on homeward consignments, £4000. Prepare Trading and P/L. A/c. and B/S. Provide for int. on Cap. at 5% per ann. ; Depreciation on Machinery, &c., £100 ; Dis. on Debtors, £115 ; Res. for Doubtful Debts not written off, £398. Profits equally divided.

**Answer.**—*Gross Profit*, £4024 ; *Net*, £1601 ; *Cap., J. W.* £10650 10 ; *W.T.* £9600 10 ; *Total of B/S.* £27040.

## Exercise 83 (*C.A.*)

After writing up the Trading A/c. of the Goole Engineering Co., on 30th Sept., 1904, the following balances stood in the books.

Complete the P/L. A/c., crediting each partner one year's int. at 5% on cap. and a half-share of the net profits. Also prepare B/S.

| **Dr. Balances—** | | **Cr. Balances—** | |
|---|---|---|---|
| Debtors | £2800 | Creditors | £1200 |
| Bills Receivable | 2200 | Bills Payable | 2060 |
| Plant, Machinery and Tools | 3000 | Trading A/c. balance | 1080 |
| Office Furniture | 100 | Provision for Outstanding Liabilities | 120 |
| Horses and Conveyances | 500 | Provision for Discounts and Loss on Debts | 240 |
| Bankers | 850 | Robert Roberts' Capital A/c. | 5000 |
| Cash | 90 | William Wilson's Capital A/c | 6800 |
| Leasehold Premises | 2880 | | |
| Interest A/c. | 60 | | |
| Stock-in-trade | 4020 | | |

**Answer.**—*Net Profit*, £430 ; *Cap. R.R.* £5465 ; *W.W.* £7355.

## Exercise 84 (*C.A.*)

John Hopkins and Wm. Thompson are in partnership. Hopkins is entitled to three-fourths of the profits, and Thompson to one-fourth. Their **Stock** on 31st Dec., 1903, is worth £5773 16 5, and they are each entitled to 5% Int. on Cap. Make out the Trading, P/L. A/cs. and B/S. of the Firm and the individual a/cs. of the partners.

| **Dr. Balances—** | |
|---|---|
| Hopkins' Drawings, including Interest | £900 |
| Thompson's Drawings, including Interest | 255 |
| Stock, 1st Jan., 1903 | 6014 |
| Debtors | 16997 |
| Cash | 3489 |
| Auditors' Fees | 105 |
| Bad Debts | 90 |
| Cartage | 1019 |
| Discount and Allowances | 2509 |
| Fire Insurance | 67 |
| **Dr. Balances** continued— | |
| Wages | £4553 |
| Rent, Rates and Taxes | 3244 |
| Repairs | 202 |
| Salaries | 1624 |
| Office Expenses | 271 |
| Purchases | 36300 |
| **Cr. Balances—** | |
| Hopkins' Capital | 10900 |
| Thompson's Capital | 5500 |
| Creditors | 7419 |
| Sales | 53820 |

**Answer.**—*Gross Profit* £11707 16 5; *Net* £2775 16 5; *Cap. J.H.* £12626 17 4; *W.T.* £6213 19 1; *Total of B/S.* £26259 16 5.

## Exercise 85 (*C.A.*)

Prepare Trading & P/L. A/cs. of Messrs. Walter Lee & Co. for the year ended 30th Sept., 1904, dividing profits equally.

Provide £150 for loss on debts and £200 for discounts. **Stock** on 30th Sept., 1904, was £3600.

| **Dr. Balances—** | |
|---|---|
| Iron and Steel | £9950 |
| Goods and Materials | 800 |
| Coal and Coke (Trading A/c.) | 900 |
| Carriage and Cartage | 880 |
| Wages | 3760 |
| Salaries | 350 |
| Rent, Rates and Insurance | 280 |
| Cash | 100 |
| Bags & Packing (Tradg. A/c.) | 300 |
| Repairs and Replacements of Buildings | 200 |
| Repairs and Replacements of Machinery, &c. | 250 |
| Debtors | 4000 |
| Leasehold Premises | 5000 |
| **Dr. Balances** continued— | |
| Stock | £3500 |
| Plant, Machinery, &c. | 2500 |
| Loose Tools, &c. | 1000 |
| Trade Expenses | 600 |
| **Cr. Balances—** | |
| Discounts A/c. | 20 |
| Bad Debts A/c. | 100 |
| Sales A/c. | 19000 |
| Bank Overdraft | 1200 |
| Creditors | 1050 |
| Mortgage, Loan on | 3000 |
| Walter Lee's Capital | 5000 |
| Bruce Lee's Capital | 3000 |
| George Lee's Capital | 2000 |

**Answer.**—*Gross Profit*, £2510; *Net* £600.

## Exercise 86 (*C.A.*)

Prepare P/L. A/c. and B/S. of James Brown from the following T.B. on the 31st Dec., 1903.

| **Dr. Balances—** | |
|---|---|
| Drawing A/c. | £1041 |
| Fixtures and Fittings | 35 |
| Wages | 450 |
| Bills Receivable | 48 |
| Trade Expenses | 61 |
| Stock, 31st Dec., 1903 | 1030 |
| Rent | 135 |
| Interest on Capita | 117 |
| Sundry Debtors | 2735 |
| Cash | 2891 |
| **Dr. Balances** continued— | |
| Fire Insurance | £8 |
| Interest and Discount | 212 |
| **Cr. Balances—** | |
| Capital A/c. | 4807 |
| Doubtful Debts Reserve | 619 |
| Reserve Discounts | 42 |
| Sundry Creditors | 1148 |
| Balance of Goods A/c. (after adjustment of Stocks) | 2147 |

**Ans.**—*Net Profit* £1164; *Capital* £4930; *Total of B/S.* £6078.

## Exercise 87 (*C.A.*)

William Dove, carpet merchant, agreed to take into partnership his manager, John Skelton, from 1st Jan., 1904, upon the following terms—the share of profits was to be as to two-thirds to Dove, and as to one-third to Skelton. Dove was to be credited with 4% int. upon his cap., and Skelton with a yearly salary of £100 and with 10/-% upon the gross sales. The following B/S. of Dove as on the 1st Jan., 1904, was agreed to and signed by both parties.

| | | | |
|---|---|---|---|
| Sundry Creditors | £950 | Stock-in-Trade | £2874 |
| Cap. A/c. | 4350 | Furniture, Fittings, &c. | 176 |
| | | Book Debts | 1500 |
| | | Bradford Banking Co. | 750 |

On the 31st Dec. the following was the T.B., the stock at the 1st Jan., 1904, being included in the Purchases A/c. The **Stock** on 31st Dec., 1904, was valued at £4060. Make closing Journal Entries, giving effect to the provisions of the partnership as well as to int. on cap. as to salary and com. on sales, and prepare Trading, P/L. A/cs. and B/S.

| **Dr. Balances—** | | **Dr. Balances** continued— | |
|---|---|---|---|
| Purchases A/c. | £12500 | Dove's Drawing A/c. | £400 |
| Rent, Taxes and Insurance | 450 | Skelton's Drawing A/c. | 200 |
| Carriage and Freight | 700 | | |
| Salaries | 200 | **Cr. Balances—** | |
| Wages | 550 | Dove's Capital | 4350 |
| Office Expenses | 100 | Sales A/c. | 11350 |
| Debtors | 1850 | Creditors | 1250 |

**Answer.**—*Gross Profit*, £1660; *Net*, £579 5s.; *Cap. W. D.* £4510 3s. 4d.; *J. S.* £149 16s. 8d.; *Total of B/S.* £5910.

## Exercise 88 (*C.A.*)

Sam Yates and Dan Zeno commence trade in partnership on 1st July, 1904, with Cap. £8000, of which £5000 are brought in by Y., and £3000 by Z. They take 5% per ann. int. on cap., and charge no int. on drawings. Divide profits :—Y., five-eighths; Z., three-eighths. On 31st Dec., 1904, they find their T.B. as below.

Prepare Trading, P/L. A/cs., B/S. and Cap. A/cs., charge 10% per ann. depreciation on fixtures, &c., and reserve £250 for bad debts. **Stock** at 31st Dec., £8840.

| **Dr. Balances—** | | **Dr. Balances** continued— | |
|---|---|---|---|
| Cash | £56 | Fixtures and Furniture | £980 |
| Purchases | 24020 | Y's Drawing A/c. | 600 |
| Wages | 1100 | Z's Drawing A/c. | 400 |
| Salaries | 324 | **Cr. Balances—** | |
| General Expenses | 1260 | Capital A/cs. | 8000 |
| Rent and Taxes | 520 | Due to Bankers | 2380 |
| Interest and Discount | 439 | Sales | 20630 |
| Debtors | 5575 | Creditors | 4264 |

**Ans.**—*Gross* £4350, *Net* £1308, *Cap. Y.* £5342 10s., *Z.* £3165 10s. *Total B/S.* £15152.

## Exercise 89 (*C.A.*)

Wm. Johnson took into partnership John Sutcliffe on 1st Jan., 1904, upon the following basis :—**Assets:**—Machinery, £2500 ; Stock, £2250 ; Book Debts, £1250 ; Yorkshire Bank, £750. **Liabilities:**—Creditors, £750 ; Wm. Johnson Cap. £6000. The freehold premises were the property of Johnson, and his Drawing A/c. was credited each half year with £125 as rent. Sutcliffe was to bring in as cap. £3000, and the respective shares were fixed at five-eighths to Johnson and three-eighths to Sutcliffe, the latter being considered acting partner. On the 31st Dec., 1904, the T.B. was as below. **Stock** was valued at £3750. No int. was to be charged on the drawings. Prepare Trading, P/L. A/cs. and B/S., and journalise closing entries.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Machy., Fixtures & Fittings | £3500 | Sutcliffe's Drawing A/c. .... | £350 |
| Purchases, including Stock 1st January, 1904 ..... | 14950 | Debtors ..... | 2350 |
| Salaries ..... | 450 | Yorkshire Bank ..... | 1500 |
| Wages ..... | 1600 | | |
| General Expenses ..... | 500 | **Cr. Balances—** | |
| Rent ..... | 250 | Johnson's Capital A/c. ..... | 6000 |
| Repairs, Alterations and Maintenance..... | 150 | Sutcliffe's Capital A/c. ..... | 3000 |
| Johnson's Drawing A/c. .... | 700 | Sales ..... | 16300 |
| | | Creditors ..... | 1000 |

**Ans.**—*Gross* £3500 ; *Net* £2150 *Cap. J.* £6643 15s. ; *S.* £3456 5s. *Total B/S.* £11100.

## Exercise 90 (*C.A.*)

Adam Bede, Ben Binns, and Cecil Clive commence business on 1st Jan., 1904, with Cap. £15000. A has £7000, B £4500, and C £3500, and they divide profits and losses in the same proportions. On 31 Dec., their T.B. is as below. Prepare Trading, P. & L. A/cs., Cap. A/cs. and B/S., allowing 5% int. on Cap., charging 6% Depreciation on Plant, &c., and reserving £1000 for Losses on Consignments. **Stock** £9870.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Stock, 1st January ..... | £9240 | B's Drawing A/c. ..... | £600 |
| Purchases ..... | 41333 | C's Drawing A/c. ..... | 550 |
| Salaries ..... | 620 | **Cr. Balances—** | |
| Wages ..... | 2020 | A's Capital ..... | 7000 |
| Trade Expenses ..... | 840 | B's Capital ..... | 4500 |
| Interest and Discount ..... | 1008 | C's Capital ..... | 3500 |
| Losses in Exchange ..... | 1686 | Sales ..... | 20522 |
| Plant and Fixtures ..... | 1650 | Consignments..... | 27060 |
| Debts and Consignments ... | 16595 | Commissions ..... | 2644 |
| Cash ..... | 74 | Creditors ..... | 8200 |
| Bank ..... | 1360 | Loan A/c. ..... | 5000 |
| A's Drawing A/c. ..... | 950 | Loan Interest..... | 100 |

**Answer.**—*Gross Profit*, £4859 ; *Net* £1500 ; *Cap. A.A.* £7100 ; *B.B.* £4575 ; *C.C.* £3475 ; *Total of B/S.* £28450.

## Exercise 91 (*C.A.*)

Wm. Jones in retiring from business agrees to dispose of it to Cecil Hall and Hy. Coates. The **Assets** consist of :—Debts, £5600 ; Stock, £3800 ; and Plant, £2400 ; and **Liabilities** which are to be discharged by the successors are £3800. They bring in as Cap. £1500 each, and the bal. due to W. J. is to be subject to int. at 5% per ann. chargeable half-yearly, such balance to be paid by instalments of £500 each half-year. They are also to pay £1000 for Goodwill out of the Profits at the rate of one-fifth of the Profits each half-year without int. The profits have been as follows :—1st half-year £860 ; 2nd £980 ; 3rd £1060 ; 4th £1200; 5th £1080 ; 6th £1240 ; from which the int. on unpaid Purchase has to be deducted before calculating the one-fifth. Show first B/S. of Hall & Coates ; Goodwill A/c. up to its extinction, also Appropriation A/c.

**Answer.**—*Total of B/S.* £15800. *1st payment of Goodwill* £132 ; *2nd* £157 10 ; *3rd* £175 - 9 ; *4th* £204 12 3 ; *5th* £182 4 7 ; *6th* £148 12 5. *Balance due to Jones after the payment of 6th Instalment* £6083 13 6.

## Exercise 92 (*C.A.*)

A publishing firm, the partners in which Fred France, Geo. Gill and Hugh Hill, shared profits equally, agreed, as from the date of the B/S. which is appended, to admit a fourth partner, Isaac Isles, to take an equal share, who was to bring in £10000, and, in addition, pay £5000 for Goodwill, which the other partners were to be entitled to in equal portions and were to leave in the business. It was stipulated that from the book debts should be deducted 3½% for contingency of bad debts, and then an allowance of 2½% for cash discount. The stock was to be taken at a discount of 6¼% from the B/S. figures, and the copyrights, printing plant, fixtures and furniture, and the leasehold premises were to be taken at valuation—and they were valued respectively thus :—Copyrights £55000 ; printing plant £17200 ; fixtures and furniture £1275 ; and leasehold premises £8500. The other Assets and Liabilities (as shown in the following B/S. of F. G. & H. on 31st Dec., 1905) were to be accepted as shown.

| | | | |
|---|---|---|---|
| Creditors | £7165 | Cash at Bank | £950 |
| B/P. | 15050 | B/R. | 510 |
| Capital of Fred France | 28700 | Book Debts | 7470 |
| „ George Gill | 20450 | Stock | 6045 |
| „ Hugh Hill | 24710 | Copyrights | 51400 |
| | | Printing Plant | 18300 |
| | | Leases | 9600 |
| | | Fixtures and Furniture | 1800 |

Prepare a new B/S., giving effect to the alterations, and to the payment into the Bank by Isles of £15000.

**Answer.**—*Profit on admission of Isles,* £5055 10 6 ; *Capital F.F.* £30385 3 6 ; *G.G.* £22135 3 6 ; *H.H.* £26395 3 6 ; *I.I.* £10000. *Total of B/S.* £111130 10 6.

### Exercise 93 (*C.A.*)

By the partnership deed of a manufacturing firm consisting of four members, Alec. Allen, Ben Binns, Cecil Cash and Dan Day, it was provided that in the event of the death of any partner before the expiration of the partnership by effluxion of time on 31st Dec , 1909, there should be paid to the legal representatives of the deceased the amount appearing to his credit on 31st Dec., next preceding the death, together with int. thereon at 5% per ann. to 31st Dec., following the decease, and a share of the profits of the year of his decease corresponding to the number of days that he lived during it, calculated after the rate of the average of his share for the last three completed years, together with int. on such shares from the date of death to the end of the year. The four partners shared profits equally, and each took int. on his cap. at 5% per annum, but no int. was charged on the drawings, for each drew at the end of every month an equal sum in anticipation of profits. The surviving partners were to share the profits equally. C. died on 30th June, 1903. The profits of the three immediately preceding years had been respectively £14000, £15600, and £12700. The proportion payable in respect of a deceased partner's int. and profits it was stipulated by the articles of partnership should be treated as a trade expense of the year in which he died. With the aid of the following T.B. on 31st Dec., 1903, taken out before int., depreciation, and an amount in lieu of factory rent have been charged, prepare Manufacturing and P/L. A/cs. for 1903, allowing £500 for depreciation of plant, £50 for depreciation of office fixtures and furniture, and 5% on the amount of the freehold property (as appearing T.B.) for factory rent.* Also construct a B/S. showing what was due to the deceased's estate and what cap. stood to the credit of each of the surviving partners. **Stock,** 31st Dec., 1903, £25000. (*C.C.'s Profit & Int.* £1792 1 5.)

| **Dr. Balances—** | |
|---|---|
| A. Drawing A/c. | £2400 |
| B. Drawing A/c. | 2400 |
| C. Drawing A/c. | 1000 |
| D. Drawing A/c. | 2400 |
| Stock, 1st January, 1903 | 20000 |
| Purchases A/c. | 355000 |
| Factory Wages* | 50000 |
| Cash in hand and at Bank | 5900 |
| Bad Debts | 3200 |
| Bills Receivable | 3000 |
| Salaries | 1800 |
| Office Expenses, General | 500 |
| Sundry Debtors | 82800 |
| Travelling Expenses | 2000 |
| Factory Rates and Taxes* | 200 |
| **Dr. Balances** continued— | |
| Office Rent and Taxes | £400 |
| Freehold Factory | 12000 |
| Plant | 3000 |
| Office Fixtures and Furniture | 500 |
| Interest Paid | 1500 |
| **Cr. Balances—** | |
| A. Capital A/c. | 24000 |
| B. Capital A/c. | 22000 |
| C. Capital A/c. | 20000 |
| D. Capital A/c. | 18000 |
| Discount | 4000 |
| Sales A/c. | 422000 |
| Bills Payable | 10000 |
| Sundry Creditors | 30000 |

***N.B.**—It is presumed that the Examiner intended the Factory Charges to be debited against the Trading a/c. so as to show the gross profit on the Factory. Rent must also be credited to the P. & L. A/c.

**Ans.**—*Gross* £21,200; *Net Profit* (*after deducting C.C.'s share*) £9857 18 7; *Cap. A.A.* £26085 19 7; *B.B.* £23985 19 6; *D.D.* £19785 19 6; *C.C.'s exors.* £21792 1 5; *Total of B/S.* £131650.

## Exercise 94 (*C.A.*)

Wm. Denham and Hy. Lloyd entered into co-partnership as marble merchants and contractors at Leicester, on 1st Jan., 1905. Lloyd's cap. was £1000, Denham's £4000. Profits or losses to be shared equally. 5% was to be credited each partner in respect of his cap., and the drawings were limited, in the case of Denham to £500, and in that of Lloyd to £400, int. to be charged thereon at 5%, but Lloyd was to be credited with £25 each quarter as salary for management. On 31st Dec. last, the T.B. of their books was as follows, but no int. had been charged either upon the cap. or upon drawings, nor had Lloyd been credited with his salary. The **Stock** was taken and amounted to £3750, and the drawings of the partners had been as follows :—Denham, 1st Feb., £50 ; 1st April, £100 ; 1st June, £50 ; 1st Aug., £50 ; 1st Oct., £100 ; and 1st Dec., £50. Lloyd, 1st Feb., £25 ; 1st Mar., £37 10 ; 1st May, £62 10 ; 1st June, £50 ; 1st Aug., £25 ; 1st Sept., £37 10 ; 1st Nov., £62 10 ; and 1st Dec., £50. Prepare through Journal Entries, a Trading, P/L. A/c. and B/S. giving effect to the respective partnership terms as to int. on cap. and drawings ; partner's salary and division of profits.

| **Dr. Balances**— | |
|---|---|
| Purchases | £3850 |
| Salaries | 450 |
| Wages | 1300 |
| Rent, Rates and Insurance | 750 |
| Int., Dis. and General Charges | 350 |
| Carriage and Freight | 250 |
| Repairs and Depreciation | 150 |
| Buildings | 2500 |
| Plant & Tools | 1500 |
| **Dr. Balances** continued— | |
| Denham's Drawings | £400 |
| Lloyd's Drawings | 350 |
| Debtors | 4650 |
| **Cr. Balances**— | |
| Sales | 10000 |
| Creditors | 1500 |
| Denham's Capital | 4000 |
| Lloyd's Capital | 1000 |

**Answer.**—*Gross Profit* £8350 ; *Net* £6318 2s. 6d. ; *Cap. W. D.* £6949 1s. 3d. ; *H. L.* £3950 18s. 9d. ; *Total of B/S.* £12400.

## Exercise 95 (*C.A.*)

Prepare from the following T.B. and particulars, Trading, P/L. A/cs. and B/S., as on 30th June, 1906, of William Waller, Silversmith. **Stock** at 30th June, 1906, £8350 ; Depreciation of Plant, &c., 5%. Provision for loss on debts, £250, and for Dis. on Book Debts 2½%.

| **Dr. Balances**— | |
|---|---|
| Incidental Expenses | £500 |
| Withdrawals | 1650 |
| Wages | 17540 |
| Salaries | 3005 |
| Travelling Expenses | 1430 |
| Rent, Rates and Taxes | 1850 |
| Insurances | 90 |
| Advertising | 650 |
| Commission | 245 |
| Discount and Allowances | 700 |
| Bank Interest and Charges | 150 |
| Packing, &c. | 350 |
| Purchases | 10540 |
| Plating | 4500 |
| Sundry Exs. (Manufacturing) | 3150 |
| Bad Debts | 260 |
| **Dr. Balances** continued— | |
| Cash | £105 |
| Debtors | 20250 |
| Stock, 1st July, 1905 | 9560 |
| Bills Receivable | 5570 |
| Plant, Machinery and Tools | 4250 |
| **Cr. Balances**— | |
| Bills Payable | 2600 |
| Rents from Sub-lettings | 190 |
| Creditors | 2300 |
| Capital | 9910 |
| Bank Overdraft | 950 |
| Sales and Charges : | |
| Finished Goods | 65670 |
| Repairs, &c. | 4325 |
| Packages, &c. | 400 |

**Answer.**—*Gross* £33105 ; *Net* £23452 10s. ; *Cap.* £31712 10s. ; *Total of B/S.* £37562 10s.

### Exercise 96 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. as on 30th June, 1906, of Messrs. Sykes Bros., sharing profits in proportion to cap. Write depreciation off plant and machy. at 5%, off loose tools at 15%. Charge int. at 4% on partners' cap. **Stock** on 30th June, 1906, £6000.

| **Dr. Balances**— | |
|---|---|
| Land and Premises | £9000 |
| Plant and Machinery | 4000 |
| Loose Tools | 1500 |
| Stock, 1st July, 1905 | 4500 |
| Purchases | 11000 |
| Wages | 6000 |
| Carriage | 800 |
| Coal and Coke (Trading A/c.) | 1200 |
| Salaries (Manufacturing) | 1500 |
| Clerks and Travellers | 500 |
| Rates and Taxes | 450 |
| Discounts and Allowances | 600 |
| Bank | 2000 |
| **Dr. Balances** continued— | |
| Cash | £40 |
| Debtors | 5000 |
| Repairs and Replacements | 800 |
| Works Extension A/c. | 3000 |
| Bad Debts | 30 |
| Returns | 230 |
| **Cr. Balances**— | |
| Alb. Sykes Capital | 8000 |
| Henry Sykes Capital | 7000 |
| Seth Sykes Capital | 5000 |
| Rents | 150 |
| Creditors | 1500 |
| Goods sold | 30500 |

**Answer.**—*Gross Profit*, £11270 ; *Net*, £7815 ; *Cap. A.S.*, £11446 ; *H.S.*, £10015 5s. ; *S.S.*, £7153 15s. ; *Total of B/S.*, £30115.

### Exercise 97 (*C.A.*)

Prepare Trading, P/L. A/cs. and B/S. of Messrs. Chalk & Co., after making following provisions :—Bad Debts, £150 ; Discounts, on debtors' bals. only 3½% ; and Trade Exs., £205. **Stock** 30th June, 1906, £22600. Divide profit in proportion to capital.

| **Dr. Balances**— | |
|---|---|
| Debtors | £11500 |
| Cash | 50 |
| Freehold Property | 10000 |
| Plant and Machinery | 2500 |
| Loose Tools, Horses, &c. | 1550 |
| Stock, 1st July, 1905 | 15000 |
| Purchases | 18500 |
| Carriage and Freight | 1500 |
| Wages (Labour) | 3200 |
| Office Salaries | 800 |
| Rates and Insurance | 1550 |
| Repairs | 300 |
| Trade Expenses | 1200 |
| **Dr. Balances** continued— | |
| Discount and Allowances | £900 |
| Bad Debts | 200 |
| Bank Interest and Charges | 250 |
| Interest on Mortgage | 200 |
| Partners' Salaries | 900 |
| **Cr. Balances**— | |
| Creditors | 7500 |
| Bankers for Overdraft | 3000 |
| Mortgage | 5000 |
| Jas. Chalk's Capital | 18000 |
| Hy. White's Capital | 12000 |
| Credit Sales | 20500 |
| Cash Sales | 4100 |

**Answer.**—*Gross Profit*, £9000 ; *Net*, £1947 15s. ; *Cap. J. C.*, £19168 13s. ; *H.W.*, £12779 2s. ; *Total of B/S.*, £47652 15s.

### Exercise 98 (*C.A.*)

Asa Abbey, Ben Brook and Carl Cook carried on business in partnership, the capital of the partners on the 1st Jan., 1903, being :—A., £20000 ; B., £5000 ; and C., £2000. It was agreed that each partner should be credited with simple int. on his cap. at the rate of 5%, and B and C each with £200 as salary for their services. The net profits or losses were to be divided into nine parts, and allotted—to A., 5 ; to B., 3 ; and to C., 1. The assets and liabilities on the said date were as follows :—Freehold Premises, £15000 ; Plant and Machinery, £6000 ; Loose Tools and Fittings, £1500 ; Debtors' Balances, £9000 ; Less provision for discounts, £400 ; and for bad debts, £100 ; Cash at Bank, £2000 ; Creditors' Balances, £6000.

In Dec., 1905, A. died, leaving the whole of his interest in the business to B. and C. in equal shares. No a/c. of profit or loss

had been taken, or valuation of stock made during that period. The partners' withdrawals (including int. thereon) during the three years had been as follows :—A., £3500 ; B., £900 ; C., £600.

On the 31st Dec., 1905, a valuation of the assets was made for the purposes of probate and the adjustment of the surviving partner's a/cs. Freehold Premises, £11000 ; Plant and Machinery, £4500 ; Tools and Fittings, £1000 ; Debtors' Bals., £10500 in respect of which an allowance was made of £1000 for doubtful debts and dis. Cash at Bank £1060, in hand £6 17 6. Due to creditors £9000. Prepare two B/S. as on 1st Jan., 1903, and 31st Dec., 1905.

**Answer.**—*Cap. A.* £14398 5 3 ; *B.* £2388 19 2 ; *C.* £1279 13 1.

## Exercise 99 (*C.A.*).

James Thompson took over the business of an iron ore proprietor, the lease of the mines having fifteen years to run on 1st Jan., 1906, and carried on business for six months. Prepare Trading, P/L. A/cs. and B/S., without taking a/c. of int. upon cap. but providing for wasting of lease, and writing off depreciation at 5% per ann. from machinery and plant, providing £445 for doubtful debts, and allowing a dis. of 2½% for debtors and creditors.

**Stock** 30th June, £5000. Unpaid wages £286.

| **Dr. Balances**— | | **Dr. Balances** continued— | |
|---|---|---|---|
| Stock, 1st Jan. | £4850 | Candles and Oil consumed... | £390 |
| Withdrawals | 800 | Coals consumed | 1260 |
| Plant & Machinery | 3522 | Repairs | 360 |
| Cash at Bank | 5709 | Powder consumed | 372 |
| „ in hand | 9 | Carriage & Freight | 913 |
| Allowances & Returns | 500 | Ropes consumed | 53 |
| Salaries | 939 | Timber consumed | 1280 |
| Wages | 12398 | Office Furniture | 100 |
| Damages for Breach of Contrt. | 100 | Unexpired Insurances | 40 |
| Rents, Rates and Taxes | 2330 | | |
| Bank Charges | 200 | **Cr. Balances**— | |
| Discounts allowed | 850 | Capital | 20000 |
| Lease | 16500 | Ore Sales | 36700 |
| Sundry Debtors | 6300 | Discounts received | 75 |
| Royalty | 5000 | Sundry Creditors | 8000 |

**Answer.**—*Gross* £14398 ; *Net* £8664 11 6 ; *Cap.* £27864 11 6.

## Exercise 100 (*C.A.*)

John Smith carries on business as a cigar manufacturer. Prepare Trading, P/L. A/cs. and B/S. from the following T.B. at the 31st December, 1905. Depreciate Land and Buildings 2½% ; Plant and Machinery 5% ; Int. on Cap. 5% ; Int. on Loan (one year) 5% ; Provision for Doubtful Debts and Discounts 5% ; **Stock** £1500.

| **Dr. Balances**— | | **Dr. Balances** continued— | |
|---|---|---|---|
| Withdrawals | £1000 | Salaries | £1000 |
| Tobacco (bought) | 2000 | Incidental Expenses | 200 |
| Plant and Machinery | 1500 | Stock, 1st January, 1905 | 2000 |
| Land and Buildings | 2000 | Bank | 1250 |
| Wages | 4000 | Cash | 50 |
| Debtors | 1500 | | |
| Boxes, Labels, &c., (Trading A/c.) | 500 | **Cr. Balances**— | |
| Rates and Taxes | 40 | Capital | 6000 |
| Bills Receivable | 300 | Sales | 10000 |
| Insurance | 10 | Loan on Mortgage | 1000 |
| Carriage | 150 | Creditors | 500 |

**Answer.**—*Gross Profit* £2850 ; *Net* £1050 ; *Cap.* £6350.

# COMPANY ACCOUNTS.

**351. A JOINT STOCK COMPANY** is an association of individuals for the purpose of engaging in any undertaking, trade, or business. Lord Justice Lindley defines a company as "an association of members, the shares of which are transferable. As distinguished from a partnership, I know of nothing else except the transferability of shares." But with regard to an *incorporated* company there are other important distinctions, *e.g.*, that, while in a partnership firm each partner is personally responsible for all the debts contracted by the firm, in an incorporated company the members have *no individual liability* to its creditors for debts owing by the company, and their personal liability is satisfied if they pay the calls properly made upon them by the company or its liquidator. A company may be either limited or **unlimited.** In the latter case the members or shareholders are personally liable to contribute rateably to the payment of the whole of the debts of the concern, as well as the costs of liquidation. On the contrary, the liability of the members or shareholders of a **limited company** is strictly limited to the amount of the shares for which they have subscribed, or agreed to be responsible. For instance, should you have applied for, and been allotted a share of £100 in a company which subsequently fails, the limit of your loss would be £100. A company is a distinct legal personality, and can own and deal with property, sue and be sued in its own name, and contract on its own behalf, and the members are not *personally* entitled to the benefits, or liable for the burdens arising thereby; their rights are confined to receiving from the company their share of the profits, or, after winding up, of the surplus assets. The creditors of a limited company accordingly know that they cannot, as in the case of a partnership, look to the whole property of the individual members, to pay them, but are restricted to the property of the company.

**352. NO PARTNERSHIP** consisting of more than *ten* persons can be formed to carry on the business of

*banking*, and no partnership of more than *twenty* persons to carry on *any other business* having the acquisition of gain as its object, unless it is registered as a company under section 1 of **The Companies (Consolidation) Act, 1908,** or formed under some special Act of Parliament or Charter like a British Railway Co., or the British South Africa Co., or is a Cost Book Mining Company.

**353.** Commercial concerns are generally incorporated under The Companies (Consolidation) Act, 1908. Any persons, whether British subjects or foreigners, may, for any lawful purpose, form an incorporated company, which may be one of **four kinds,** viz. :—(**1**) A Company with Unlimited Liability, with or without a capital divided into shares ; (**2**) A Company with its Liability Limited by shares ; (**3**) A Company with its Liability Limited by Guarantee and not having a capital divided into shares ; or (**4**) A Company with its Liability Limited by Guarantee and having a capital divided into shares.

**354.** Very few companies are now registered with **Unlimited** Liability, and many banking and other companies, originally constituted as Unlimited Companies, have been **re-registered** with Limited Liability under section 57 of the Companies Act. The members of an Unlimited Company are liable to calls until the whole of the company's debts or obligations, however heavy they may be, are paid ; but they can only be called upon *pro ratâ* according to their interest in the company, and their liability is altogether at an end one year after they have ceased to be members. In these two particulars Unlimited Companies have important advantages over Private Partnerships and Limited Partnerships registered under the Limited Partnerships Act, 1907, so far as the " general partners " are concerned.

**355. COMPANIES LIMITED** by **GUARANTEE** are usually formed for the purpose of carrying on business as mutual insurance and trade protection societies, social, athletic, and other clubs, and concerns in which it is *not* intended to make a profit. The principle on which these companies are constituted is that each person who becomes a member undertakes to contribute

to the assets of the company, in the event of the same being wound up during the time that he is a member, or within one year afterwards, for the payment of the debts and liabilities of the company contracted before the time at which he ceases to be a member, and of the costs, charges, and expenses of winding up the company, and for the adjustment of the rights of the contributories amongst themselves, such an amount as may be required, not exceeding a specified amount. There are **two kinds** of **Guarantee Companies,** viz. :— (*a*) Companies Limited by Guarantee and *not* having a capital divided into shares, and (*b*) those *having* a capital divided into shares. In the case of the former the Memorandum of Association has only four clauses, of which the first three are the same as those required for a Company Limited by Shares, and the fourth is a declaration as to the amount to be contributed by each member of the company in the event of a winding up. But in the case of Guarantee Companies *having* a capital divided into shares registered since 1900, a fifth clause must be added, stating the capital, which is subject to increase or reduction in accordance with section 56 of the Companies Act.

**356.** Companies formed since the 30th June, 1908, are divided into *public companies* and *private companies*. To put it shortly, a **Public Company** is one carried on by means of capital subscribed by the public at large, and a **private company** one which does not appeal to the general public by a prospectus or advertisement to subscribe its capital; the capital being already there or ready to be subscribed. A private company is useful for registering *family businesses*, where the shares are intended to be kept in few hands, the control in still fewer, generally the former partners of the firm. Where one partner possesses an overwhelming influence, and is entitled to nearly the whole of the profits, the company is known as a **One-man Company.**

**357.** A **PRIVATE COMPANY** may be registered by any **two** or more persons, provided that by its articles it (1) restricts the right to transfer its shares (2) limits the

number of its members (exclusive of persons who are or have been in the employment of the company) to fifty, and (3) prohibits any invitation to the public to subscribe for any shares or debentures of the company. Hitherto it has been necessary for seven persons to combine to form a limited company, and it has been necessary to keep up its number of members to at least seven, but in future two will suffice. The private company will be found extremely useful in the case of partners wishing to have the benefit of the protection of limited liability, and yet not wishing to have to disclose, either in a prospectus, or in the statement in lieu of prospectus, the particulars required to be made by public companies and not wishing to make public in its Annual Summary an audited statement in the nature of a balance sheet.

**358. PRIVATE COMPANIES** have an undoubted **advantage** over "Limited Partnerships." The liability of each member of a private company may be limited to the capital actually put in, or it may be limited to a stated amount representing the amount unpaid on shares subscribed, or it may be unlimited; the provisions being very elastic and capable of application to any requirement. The liability of a member of a limited partnership, must either be unlimited or else limited to the capital contributed, unless the limited partner takes any part in the management, when the limit ceases to exist. If any difference arises as to the conduct of the business, the majority of the directors of a private company, including the capitalist-director, and ultimately the members, according to the voting control, have the power to decide; but in a limited partnership a majority of the general partners, *i.e.*, not the limited or capitalist partner, control. For practical purposes private companies and limited partnerships are on the same footing as to giving notices to the registrar, of alterations in the constitution in the board of directors in the one case, or in the members of the partnership in the other.

**359.** A **PUBLIC COMPANY** is an *incorporated* association of **seven** or more individuals for the purpose of engaging in any undertaking, trade, or business.

Every company formed under The Companies (Consolidation) Act, 1908, must have a Memorandum of Association, the registration of which, after having been duly subscribed, is the formal creation of the company, and from that time its corporate existence is recognised by law.

**360. REGISTRATION** is effected by lodging with the Registrar of Joint Stock Companies, Somerset House, London, W.C., Parliament Square, Edinburgh, or Custom House, Dublin (according to the country in which the registered office is to be situate), a Memorandum of Association, usually printed, although it may be written. When the company does not adopt Table A and is to be governed by its own Articles of Association (which is almost invariably the case with companies of any magnitude), the *printed* Articles must also accompany the Memorandum, both of which must be signed and subscribed by the "*signatories*," that is, the original subscribers, who must subscribe not less than one share each. If everything is in order and the stamp duties and fees paid, the Registrar will issue a *Certificate of Incorporation*. From that moment the company has a legal existence, with perpetual succession and a common seal. It may, if a private company, from that date transact its business, and is a valid company. In the case of **public** companies the applicant must also deliver to the Registrar a list of the persons who have consented to be directors, and a consent in writing, signed by each director, or by his agent, to act as such director must be filed, and if each director has not signed the Memorandum for a number of shares not less than his qualification, a contract in writing to take and pay for his qualification shares must also be filed. The requisites for registration in the case of a *public* company are :—(1) memorandum ; (2) articles ; (3) list of directors ; (4) signed consents of all directors named to act ; (5) contract by directors to pay for their qualifying shares ; (6) statutory declaration by a solicitor engaged in the formation, or by a director, or secretary of the company that the requirements of the Companies Act as to registration have been complied with

**361.** The **MEMORANDUM OF ASSOCIATION** is the charter of the company, which defines its powers and states its objects and intentions; outside the limits of the Memorandum the company cannot go. This document must contain :—(1) The name of the company, with the word "*Limited*" as the last word in such name. (2) The country where the Registered Office is to be situate. (3) The objects of the company. (4) A declaration that the liability of the members is limited. (5) The amount of capital and how it is divided; subject to the following regulations (*a*) that no subscriber shall take less than one share (*b*) that each subscriber to the Memorandum shall write opposite to his name the number of shares he agrees to take.

**362.** The **ARTICLES OF ASSOCIATION** are the rules, regulations and By-Laws to govern the internal affairs of the company, and play a subsidiary part to the Memorandum, which contains the fundamental conditions. They must be consistent with the statutes, as the Courts will ignore any article attempting to override the statutory rights of members. A *model form* of Articles known as **Table A** of The Companies (Consolidation) Act, 1908, constitutes the code of regulations for the management of a limited company, unless expressly excluded or modified by the *special* Articles. Articles 103 to 108 of Table A state that the directors shall cause true accounts to be kept of all assets and liabilities, receipts and payments, profits and losses, and that an annual Balance Sheet shall be printed and sent to every member seven days before the general meeting of the company. The B/S. shall be accompanied by a report of the directors as to the state of the company's affairs, and the amount which they recommend to be paid by way of dividend, and the amount (if any) which they propose to carry to a reserve fund.

**363. CAPITAL.** The principal difference between the accounts of a Private Trader or a Partnership and those of a Limited Company is in the organisation of the capital and the consequent distribution of the profits. With Joint Stock Companies the **capital** is generally the

property of a large number of shareholders, who hold **shares** which represent the equal portions into which the capital is divided, each shareholder being entitled to a portion of the company's profits corresponding to the number of shares he holds. A Company cannot purchase its own shares or reduce its Share Capital without obtaining the sanction of the Court. The **Nominal** or **Registered** or **Authorised Capital** is the sum stated in the Memorandum as the maximum amount which the Directors have power to raise ; say 50,000 shares of £1 each; it is upon this amount that the *stamp duty* payable to the Government upon registration, is based. The **Issued** or **Subscribed Capital** is the amount offered and subscribed for, and subsequently allotted in shares or stock to the public and the vendors ; say £45,000, thus leaving £5,000 **Unissued Capital** to be issued at a later date if the Directors wish. The **Called-up Capital** is that portion of the Subscribed Capital which the Directors require in order to carry on the business of the company ; say, 10/- per share = £22,500. The **Paid-up Capital** is that part of the Called-up Capital which has actually been received in cash by the Company from the shareholders ; say, £22,400 ; one shareholder having failed to pay the " call " made upon him. The term **Working Capital** is used to indicate the amount of *Paid-up Capital plus Debentures*, available for carrying on the business of a company, *after* the purchase price has been paid.

**364. SHARES** are classified and named according to the rights attached to them by the Articles of Association. **Ordinary Shares** are portions of a company's trading capital, entitling their owners to a limited or an unlimited proportional part of the profits after all prior charges have been paid and all preferential interests have been satisfied. Preferred or **Preference Shares** may either give a preferential right (*a*) only as to the fixed rate of dividend, or (*b*) to the return of capital also. In the former case they are said to be *preferential as regards revenue*, and in the latter *preferential as regards capital*. In the event of liquidation the holders

of such preference shares are entitled to priority of payment out of the assets before any of the other classes of shareholders, but not before creditors. In either case the preferential dividend may be **cumulative** or **non-cumulative,** *i.e.*, payable only out of the profits of each trading period or year, *no* unpaid arrears being carried forward. On the other hand, if the dividend be **cumulative** and the profits realised in any one year, or any series of years, be insufficient to pay the guaranteed dividend, such arrears or accumulated dividends must be paid out of the first available profits in any succeeding year, before any dividend is paid on the other shares. **Arrears** of cumulative dividends being a *contingent liability*, should be shown on the face of the B/S. **Deferred Shares** are so called because the rights of the holders to dividend are postponed until the other shareholders have received a stated percentage, or until the expiration of a certain period. **Founders'** or **Management Shares,** which are usually few in number, are generally taken by the promoters or the underwriters of the share capital, in order to reimburse the expenses incurred by them in the flotation of the Company. These shares generally have a *deferred* interest in the profits of the company, usually receiving one-quarter or one-half or less proportion of the net profits after a fixed percentage has been paid on the Ordinary Shares and a certain amount placed to the Reserve Fund. When the surplus profits are large these shares become very valuable. **Participating Preference** or **Ordinary Shares** entitle their holders not only to the rate of dividend fixed by the Memorandum but also to a further share in any surplus profits, *after* the Ordinary or Deferred Shareholders, respectively, have received a given percentage.

**365. LOANS.** The usual form of borrowing by a Company is on **Debentures,** which are bonds given under the seal of the Company as security for a loan. Debentures may be either (*a*) a mere promise to pay, or (*b*) a promise to pay secured by a **mortgage** of the real estate, and a first charge on all the undertakings and assets of the business. The former class (*a*) containing *no* charge upon any of the company's property, is

termed a *simple* or *naked* debenture; while the latter class (*b*) is known as a *mortgage debenture*. It must be remembered that a debenture holder is only a *creditor*, and not a member of the Company, and that if it is not a **mortgage debenture,** the holder, in the event of liquidation, will only occupy the same position as an ordinary *trade creditor*. *Redeemable* debentures are those which provide for repayment of the principal sums upon a given date or upon notice. *Irredeemable* debentures are those which are issued upon condition that the principal sums secured are repayable only on default of payment of interest or on the winding up of the company. **Debenture Stock** is merely borrowed capital *consolidated* into one mass for the sake of convenience. Debentures are only transferable in their entirety, but stock may be transferred in whole or part, provided that such part does not involve a fraction of a stated amount. Usually the stock is made transferable in multiples of £10. **Interest** on Debentures, after deducting the income tax at the **full rate,** is usually paid half-yearly, so long as there are any *assets* out of which to pay it. In this respect it is different from a *dividend* upon shares, which is only payable out of profits.

**366. TERMS OF ISSUE.** Shares and debentures may be issued at **par** (the exact face value), or at a **premium** (an amount in excess of face value), and debentures only at a **discount** (an amount below the face value), but the actual liability of the company is measured by the *nominal* amount in question. An example of an issue at a **premium,** redeemable *at par*, is given in the model exercise, where the £50,000 4% Debentures are issued at £102%, resulting in the receipt by the Coy. of £51,000. As the Coy. will only be required to pay the 4% interest on the *par value* of the Debentures, viz.:—£50,000, the excess of £1,000 received by issuing at a premium is a clear gain. This must *not* be carried to the Revenue or P. & L. A/c., however, but a "*Debenture Premium A/c.*" must be opened and credited. This A/c. may be subsequently transferred either to the Reserve A/c., or applied towards the reduction or extinction of unrealisable

assets, such as Preliminary Expenses or Goodwill. In the case of Debentures (*a*) issued at a *discount*, and redeemable *at par*, or (*b*) issued *at par* and redeemable at a *premium*, the contingent liability in respect of the difference between the (*a*) discount and par, and (*b*) par and premium, must be provided for. Suppose that the £50,000 Debentures had been issued (*a*) at a *discount*, say £98 redeemable at par, or (*b*) at *par* redeemable at a premium, say £102, the cash received in each case would be £1000 *less* than would be required to repay or redeem the Debentures at the expiration of say 20 years. With the object of providing this deficiency of £1000 at the time of redemption, the sum of £50—one twentieth —should be charged against the profits annually and credited to the "*Debenture Premium A/c.*"

**367. SINKING FUND.** With the object of *redeeming Debentures* or other liabilities of a Company, a Sinking Fund is frequently created, which may or may not be invested in outside securities. The object is *merely to conserve the resources of the Company.* In such cases the instalments are not charges against profits, but appropriations of profits ; that is to say, so much which might have been distributed amongst the shareholders is retained, so that as the Asset "Cash" is reduced on paying off the liability to Debenture holders, there may be a corresponding restoration of cash out of profits, and the concern not crippled on account of lack of working capital. This instalment will vary according to the size of the debt, and the length of time allowed for its repayment.

**368.** One method of **raising** a **Sinking Fund** would be to apply the instalment to the purchase, in the open market, of some of the Debentures about to be redeemed (particularly if the market value be below *par*). When Debentures are thus purchased the total of the original issue should still be shown in B/S., with the amount of those purchased deducted. A more modern method would be to apply the instalment to the payment of the premium on a **Sinking Fund Insurance Policy,** in which case, the entry might be : debit Net-Revenue or P. & L. A/c., and credit Insurance Co. When the premium is paid, debit Insurance Co. and credit Cash. The period

allowed for repayment will expire simultaneously with the maturity of the Policy. The effect is seen on the two following Balance Sheets, taken out immediately *before* and *after* the repayment of Debentures.

| **BALANCE SHEET No. 1.** | | **BALANCE SHEET No. 2.** | |
|---|---|---|---|
| Share Cap. | £500,000 | Share Cap. | £500,000 |
| Debentures | £100,000 | Reserve .. | £100,000 |
| Cash .. .. | £600,000 | Cash .. .. | £600,000 |
| | £600,000 £600,000 | | £600,000 £600,000 |

The Debentures having been wiped out, not out of the funds of the borrowing Co., but by the Insurance Co., the £600,000 in cash remains intact.

The name "Debenture Holders" may now be changed to "Reserve." The borrowed money has served its purpose, viz., tided the Company over its early stages, during which it has accumulated a fund of its own equal to the amount of the borrowed capital.

**369.** It is important to distinguish this class of Sinking Fund for *repayment of liabilities* from a Sinking Fund raised for the purpose of *replacing a wasting asset*, for example, a lease. In the latter case it is a **depreciation** charge pure and simple that has to be dealt with, and the instalments are a direct charge against revenue. Suppose the amount be invested in an Insurance Policy, as in the previous illustration. When the Policy matures (which would be simultaneously with the expiration of the lease), one asset "Lease" would disappear from the B/S. and another "Cash" (per Insurance Co.) would take its place. Had the depreciation been *periodically* credited to the asset "Lease" and no outside investment been made, the only difference would be that instead of the asset "Lease" being struck out of the B/S. and replaced by "Cash" in one lump sum, it would gradually disappear, whilst the available cash of the Company (not having been divided among the shareholders, or invested outside) would be gradually increasing in the same proportion.

**370. Depreciation** represents a *charge* against Revenue in respect of the benefits the trading has derived from the use of the asset, and in fixing the rate

to be charged, regard should be had to the following considerations :—(*a*) Original cost of asset. (*b*) Probable duration of asset. (*c*) As to repairs, whether charged to revenue or not, in addition to depreciation. (*d*) Residuary or break-up value. Whilst there may be cases where it would be most correct to base the charge for depreciation on the output, as in the case of mines.

**371.** The essential **difference** between **Depreciation** and **Sinking Fund** may be best illustrated, perhaps, by taking the case of a mine. Suppose a Colliery Co. borrows money, say £1000 on Mortgage Debentures, for the purpose of acquiring a new mine, and agrees to repay this in a period of ten years at £100 per year. Now it could not be fairly argued that trading must only be debited with this fixed sum (representing the Sinking Fund Instalment) each year, irrespective of the output. In the event of a larger output in any year, a correspondingly larger amount would be brought to credit of trading, and therefore a correspondingly larger amount should also be brought into charge equivalent to the large amount of material gotten. The amount repayable to Debenture Holders is accidental, and bears no necessary proportion to the benefit accruing to any one year's trading. But Depreciation is not an arbitrary calculation, and is the only one which, properly adjusted, can represent the fair charge against revenue for any given year. This, therefore (whatever may be the ultimate result to the P. & L. A/c.) is the amount which should be charged ; *not* the instalment on Sinking Fund.

**372.** The following is a useful **summary** of the purposes for which **Sinking Funds** exist, as well as the various **entries** connected with the creation and closing of the accounts. (**1**) Payment of a Liability for which actual value has been received, as Debentures issued at par repayable at the end of say 15 years at par. (**2**) Payment of a Liability for which no actual value has been received, as payment of a premium on Debentures issued. (**3**) Replacing a specific Asset, as providing money to replace the cost of a Lease upon expiry of an existing one.

**1.** Repayment of Debentures :—

(*a*) *Profit & Loss Appropriation A/c. Dr.*
*To Sinking Fund A/c.*

(*b*) *Sinking Fund Investment A/c.....Dr.*
*To Bank.*

These two entries being made each Year or Half-year when the accounts are made up, until the period arrived for repayment of the debentures, then

(*c*) *Bank ..... Dr.*
*To Sinking Fund Investment A/c.*
Being the amount withdrawn from the investment.

(*d*) *Debenture Holders.....Dr.*
*To Bank.*
Being the repayment of the Debentures.
The Sinking Fund A/c. being left with a Credit Balance for the amount debited to the Appropriation A/cs. This may now be *balanced into a Reserve A/c.*

**2.** Providing for Debenture Premium to be paid at the end of a certain period :—

(*a*) *Profit & Loss Appropriation A/c. Dr.*
*To Debenture Premium A/c.* (This being the Sinking Fund A/c.)

(*b*) *Sinking Fund Investment A/c.....Dr.*
*To Bank.*
These 2 entries being made each Balancing period as in **1.**

(*c*) *Bank ..... Dr.*
*To Sinking Fund Investment A/c.*

(*d*) *Debenture Premium A/c.....Dr.*
*To Bank.*
Being payment of premium to Debenture Holders.
*Or* instead of "*d*" the entries may be
*Debenture Premium A/c. .....Dr.*
*To Debenture Holders (Premiums).*
*Debenture Holders (Premiums) .. Dr.*
*To Bank.*

3. To replace a Specific Wasting Asset (Lease) :—
   (*a*) *Profit & Loss A/c*.....*Dr.*
   *To Leasehold A/c.*
   (*b*) *Sinking Fund Investment A/c*.....*Dr.*
   *To Bank.*
   (*c*) *Bank* ..... *Dr.*
   *To Sinking Fund Investment A/c.*
   Amount in the Bank ready to purchase another Lease at the end of the period.

**373. PROSPECTUS.** The most important practical matter connected with the formation of a Company is the obtaining of capital, and except in the case of converting private businesses into Companies, and in a few cases where money is privately subscribed, this is done by means of a **prospectus,** which is an invitation to the public or the persons to whom it is addressed, to become shareholders or to take up debentures. Every Prospectus issued by or on behalf of a company or in relation to an intended company must be (1) dated, (2) signed by every director or proposed director, or by his agent authorised in writing, and (3) filed with the Registrar on or before its publication. It is necessary that the Prospectus should include the following particulars :—(1) Memorandum of Association; Signatories, their descriptions and holdings, but this need not be published in newspaper advertisements. (2) The number of founders' or management shares,and their interest in the property and profits. (3) Directors' description and addresses ; their qualification and article as to remuneration. (4) The minimum cash subscription for allotment fixed by memorandum or articles and prospectus. (5) Amount per share payable on application (not less than five per cent.) and on allotment. (6) Particulars of shares and debentures issued as fully or partly paid and the consideration for their issue. (7) The names and addresses of all vendors, whether actual or original, including lessors, who receive any part of the proceeds of the issue. (8) The purchase price of the property ; " goodwill " being separately stated. (9) The commission for underwriting the shares or debentures fixed by the

articles and prospectus. (10) The amount or estimate of preliminary expenses. (11) The amount payable to the promoters and the consideration therefor. (12) Dates and parties to all material contracts within two years other than those in the ordinary course of business and reasonable time and place for inspection. (13) The names and addresses of the auditors (if any). (14) Full disclosure of any personal interest of any director in the transaction ; and of all moneys or shares paid or receivable by him. (15) Date of prospectus, and on its face the fact of filing with Registrar. With the view of familiarising himself with the general character and scope of prospectuses the student is advised to procure one, or peruse those **abridged** examples advertised in the daily newspapers and trade journals. A complete **copy** of a modern **Prospectus** may be had from the **Author** of this textbook, at **7d.** post free, for cash.

**374.** A **Statement** in **Lieu** of **Prospectus,** must be filed by every new public company which does not issue a Prospectus. It must be signed by every person who is named in it as a director, or proposed director, or by his authorised agent. The Statement must give practically the same particulars as would have to be stated in a Prospectus. The only additional material requirement is that it must disclose the nature of any provision in the articles precluding holders of shares or debentures receiving and inspecting balance sheets or reports of the auditors or other reports.

**375.** Along with the prospectus there is enclosed a printed form of **Letter of Application,** which should be filled up by the applicant, requesting the allotment of a specified number of shares, and enclosing a cheque for the sum stipulated to be paid, which must not be less than five per cent. of the nominal amount of each share. If the minimum cash subscription is not provided, the directors cannot allot, and they must, in that event, within forty days from the issue of the prospectus, return all moneys paid on application or become personally liable to the applicants. Upon receipt of sufficient applications for shares to justify the company going to

allotment, the Directors meet and pass a resolution allotting the shares to such applicants as they think fit, and the Secretary then forwards **Letters of Allotment** requesting payment of the amount due on allotment to those persons receiving an allotment, and **Letters of Regret,** with cheques for the return of the deposit, to those whose applications are refused.

**376.** At the **Statutory Meeting** of shareholders, which must be held not earlier than one month nor later than three months after the date the company is entitled to commence business, full particulars must be given as to the subscribed capital; the amount paid up; the names of the directors; the amount of the preliminary expenses; and an audited abstract of all receipts and payments. All these particulars embodied in a report must be circulated amongst the shareholders seven days before the meeting and filed with the Registrar. A list of the members and their respective holdings must be open to inspection throughout the meeting.

**377. ACCOUNT BOOKS** are of two kinds; (1) the ordinary **Financial** or **Account books** which are essential to every concern; (2) **Registry** or **Statistical books,** for recording various details which it is not advisable to crowd into the ordinary account books. For instance, a book recording an analysis of sales as regards periods of time, classes of goods or districts supplied; the Policy Register of an Insurance Co.; the Ground Rent Register of a landlord; the Mortgage Register of a Building Society; the Share Register of a company, &c.

**378.** In order to comply with the Companies Act a Joint Stock Company must keep at least **five Statutory Books.** (1) **Minute Book,** recording all resolutions and proceedings at meetings of the Directors, Managers, or Members of the Company, sometimes divided into two books, one for the Directors' Minutes, and the other for the Minutes of the General Meetings of the Shareholders. (2) **Register of Directors and Managers,** showing names, addresses and occupations. (3) **Register of Members** or **Share Register,** stating their names, addresses and occupations, and a statement of

the number of shares held by each member, the distinguishing numbers and the amount paid, or agreed to be considered as paid, on the shares, the date of becoming a member, and the date of ceasing to be a member. The Register of Members must be kept at the registered office of the company, and, except when closed for the purpose of preparing the Dividend List, must be open to the **inspection** of **members** *free of charge*, and to the **public** upon payment of **one shilling,** for at least two hours per day. It is customary to close the Register from seven to fourteen days prior to the annual general meeting, but it may not be closed for more than thirty days in each year. (4) **Register of Mortgages** and **Charges** specifically affecting the property of the Company, and must enter in such Register in respect of each Mortgage a description of the property, the amount of the charge and the names of the Mortgagees. (5) **Annual Summary** of **Capital** and **Shares Book** showing summary of Capital and Mortgages, List of Members and Directors.

**379.** An **ANNUAL RETURN** known as "Form E," (No. 6a) copied from the last named book, giving (on the front page) a Summary of the Capital, Shares, and Mortgages; (on page **2**) the Balance Sheet of the Company; (on page **3**) a List of the Directors; (on the following pages) a full List of all the Members, number of shares held by each of them, particulars of those who have ceased to be members since the date of the last list, &c., is required to be made up to the fourteenth day after the Ordinary General Meeting and transmitted to the Registrar of Joint Stock Companies within seven days of its date. A **copy** of this Summary and List of Members may be **demanded** by **any person** at the company's registered office, on payment of sixpence for every hundred words required to be copied. The penalty for refusal to supply such copy is two pounds per day.

A **copy** of "Form E," or any other **Company Forms,** as used when filing for official purposes, also a copy of a Company Prospectus, may be had from the Author, P.O. Box A. 27, Huddersfield, at sevenpence each, post free, **for cash.**

*No. of Certificate* 120603. FORM No. 6A.

# "THE COMPANIES ACTS, 1908 to 1917."

**FORM E.**

*As required by Part II. of the Companies (Consolidation) Act, 1908 (Section 26).*

STAMP

A Companies Fee Stamp of 5s. must be impressed here.

## SUMMARY OF SHARE CAPITAL AND SHARES

OF

NICOTINE, LIMITED,

made up to the 20th day of March, 1914.

*(Being the Fourteenth Day after the date of the First Ordinary General Meeting in* 1914.)

Nominal Share Capital, £500,000, divided into* { 20000 Ordinary / 20000 Preference / 10000 Deferred } Shares of £10 each.

Total Number of Shares taken up* to the 20th day of March / Which number must agree with the Total shown in the List as held by existing Members ..... } 20000 Ordy. / 20000 Pref'ce. / 10000 Defd.

Number of Shares issued subject to payment wholly in Cash 40000

Number of Shares issued as fully paid up otherwise than in Cash 10000 Defd.

Number of Shares issued as partly paid up to the extent of £ per Share otherwise than in Cash .....

‡There has been called up on each of 20000 Ordinary Shares.. £10

" " " 20000 Preference " .. £10

" " " 10000 Deferred " .. £10

§Total Amount of Calls received, including Payments on Application and Allotment ..... £395500

Total Amount (if any) agreed to be considered as paid on Ordinary Shares, which have been issued as fully paid up otherwise than in Cash .....£

Total Amount (if any) agreed to be considered as paid on Preference Shares, which have been issued as partly paid up to the extent of £ per Share .....£

Total Amount of Calls unpaid .....£2250

Total Amount (if any) of sums paid by way of Commission in respect of Shares or Debentures or allowed by way of Discount since the date of last Summary.....£

Total Amount (if any) paid on ||900 Shares forfeited .....£6750

Total Amount of Shares and Stock for which Share Warrants to Bearer are outstanding ..... { Shares£ / Stock £

Total Amount of Share Warrants to Bearer issued and surrendered respectively since date of last Summary..... { Issued£ / Surrendered£

Number of Shares or Amount of Stock comprised in each Share Warrant to Bearer { Number of Shares£ / Amount of Stock £

Total Amount of Debt due from the Company in respect of all Mortgages and Charges which are required, (or, in the case of a Company registered in Scotland, which, if the Company had been registered in England, would be required) to be registered with the Registrar of Companies, or which would require registration if created after the First day of July, 1908£50000

NOTE.—Banking Companies must also add a List of all their Places of Business.

* Where there are Shares of different kinds or amounts (*e.g.* Preference and Ordinary, or £10 and £5), state the numbers and nominal values separately.

‡ Where various amounts have been called, or there are Shares of different kinds, state them separately.

§ Include what has been received on forfeited, as well as on existing Shares.

|| State the Aggregate Number of Shares forfeited (if any).

*The Return must be signed at the End, by the Manager or Secretary of the Company.*

## Page 2 of Annual Return.

**STATEMENT** in the form of a Balance Sheet made up to the 20th day of March, 1914, containing the Particulars of the Capital, Liabilities, and Assets of the Company.

| Capital and Liabilities. | Assets. |
|---|---|
| *This represents page 2 of the Balance Sheet of Nicotine, particulars given on page 469.* | *the "Annual Return" on which Ltd., would be copied from the* |

## Page 3 of Annual Return.

Names and Addresses of the Persons who are the Directors of

**Nicotine, Limited,**

on the 20th day of March, 1914.

| Names. | Addresses. |
|---|---|
| Nicotine, Walter ..... | 56 Bedford Square, London. |
| Wilson, Edwin..... | 23 George Street, Halifax. |
| Harris, Fred..... | Broadway, Bexley Heath. |

## Folio 4 of the Annual Return

(and the following folios) contains, in eleven columns, the—

List of Persons holding Shares in Nicotine, Limited, on the 20th day of March, 1914, and of Persons who have held Shares therein at any time since the date of the last Return, or (in the case of the first Return) of the Incorporation of the Company, showing their Names and Addresses, and an Account of the Shares so held.

| NAMES, ADDRESSES, and OCCUPATIONS. | ACCOUNT of SHARES. |
|---|---|
| | |

**380.** While the keeping of ordinary account books and the five books just described are alone *compulsory*, it is customary for **Companies** with numerous shareholders to keep the following **additional records :**—(6) Agenda Book, containing a list of the business to be transacted at a meeting. (7) Directors' Attendance Book, which should be signed on the occasion of every board meeting, particularly where the remuneration of the Board is a fixed amount for every meeting attended. (8) Register of Applications and Allotments of Shares and Debentures similar to example given. (9) Share Ledger, sometimes combined with the Register of Members. (10) Numerical Register of Shares, principally useful where there are a very large number of shareholders and it is desirable to have a ready reference as to the ownership of shares. (11) Shareholders' Address Book. (12) Register of Transfers of Shares or Debentures, similar to example given. (13) Register of Debenture Holders with Register of Transfers. (14) Transfer Receipt Book, for acknowledging the receipt of Transfers of Shares. (15) Transfer Cash Book, where transfers are numerous, for recording the fees received by the Transfer Clerk or Registrar, the total being paid into the bank periodically. (16) Register of Calls, similar to example given. (17) Register of Seals, for recording particulars of documents sealed by the directors. (18) Register of Probate of Wills, presented by the representatives of deceased shareholders upon transfer of shares to the executors or administrators. (19) Register of Documents in the possession of the Company. (20) Dividend Account Book. (21) Debenture Interest Account Book. These Books are stocked by **Company Registration Agents,** such as Jordan and Sons, Ltd., 116 and 117 Chancery Lane, London, W.C.

**381.** With the object of **facilitating** the acquirement of a **practical knowledge** of **Company Accounts,** I have designed the following **Model Exercise** which is practically worked out in full. The transactions, which

introduce as many difficulties as possible within the limits of a single exercise, are all numbered, so as to simplify any references thereto. As a special help to teachers of **classes,** where **graduation** of work is so important, I have followed the model exercise with a very short one, fully worked out. Several **short exercises** on Company A/cs. will be found at the end of this chapter.

### Model Exercise on Company Accounts.

(*See key commencing page* 450).

(1) Walter Nicotine decides to convert his business of Tobacco Manufacturing into a Limited Liability Company, the latter to take over the following balances on the 31st Dec., 1913 :—

| | | |
|---|---|---|
| Leasehold Tobacco Factory ..... | £6000 | |
| Freehold Tobacco Factory ..... | 2000 | |
| Machinery and Plant..... | 70000 | |
| Sundry Debtors ..... | 90000 | |
| Stocks in Factory and in Bond ..... | 210000 | |
| Sundry Creditors..... | | £233000 |

The purchase price agreed upon is £267,000 (which sum includes £122,000 for the Goodwill). (*Enter in Journal.*)

(2) The Company is formed and registered on the 1st Jan., 1914, under the name of *Nicotine, Limited*, the Nominal Capital being fixed at £500,000, divided into 20000 5% Pref. Shares of £10 each, *20000 7% Ordinary Shs. of £10 each, 10000 Deferred Shs. of £10 each, the whole of which are offered for public subscription, except the Deferred Shares, which are issued to the Vendor in part payment of the purchase money ; the remainder to be paid in cash on the 30th April, together with the interest thereon at 5% from 1st Jan. (*Enter issue of Deferred Shares to Vendor in Journal.*)* The Ordinary Shares must receive 7% before the Deferred Shares shall be entitled to participate in the profits ; after which the Deferred Shares shall be entitled to receive the remaining profits, so long as they do not produce more than 7% thereon ; and any excess of profits beyond this shall (subject to the usual Reserves) be divisible in equal proportions between the Ordinary and Deferred Shares.

(3) The Directors also invite application for £50000 4% Mortgage Debenture Stock, which is offered to the public at £102%, the premium to be applied towards the reduction of the Preliminary Expenses. The shares and Debenture stock are payable as follows :—

| 1914. | | Pref. & Ordy. Shares. | Deb. Stock. |
|---|---|---|---|
| Jan. 4. | On Application ..... | £2 10 – | £5% |
| ,, 7. | On Allotment ..... | 5 – – | 97% |
| Feb. 28. | On First Call..... | 1 5 – | |
| Apl. 30. | On Second Call ..... | 1 5 – | |

(4) Interest on the Debenture Stock to be paid on the 30th June and 31st Dec. in each year. (*Enter in C.B.*)

(5) The Pref. Shares to be entitled to a Cumulative Preferential Div. of 5% per ann ; payable half-yearly on the 30th June and 31st Dec. in each year.

(6) The Shares are over subscribed, the applications from the public being as follows :—(*Enter in C.B.*)

| | Preference Shares. | Deposit. | Ordinary Shares. | Deposit. |
|---|---|---|---|---|
| John Heaps..... | 1000 | £2500 | 500 | £1250 |
| George Parker ..... | 400 | 1000 | 200 | 500 |
| David Eaves ..... | 1000 | 2500 | 2000 | 5000 |
| John Whitehead..... | 2000 | 5000 | 2500 | 6250 |
| Joe Swift ..... | 400 | 1000 | 500 | 1250 |
| George McAdam..... | 1200 | 3000 | 600 | 1500 |
| Fred Harris ..... | 5000 | 12500 | 4000 | 10000 |
| Albert Bowler ..... | 2500 | 6250 | 3000 | 7500 |
| Chas. Spencer ..... | 1500 | 3750 | 1000 | 2500 |
| Edwin Wilson ..... | 5000 | 12500 | 10000 | 25000 |
| Ernest Bailey ..... | 6000 | 15000 | 5000 | 12500 |
| Beckett & Co. ..... | (Debenture Stock, £2500). | | | |

(7) All the above were allotted in accordance with the applications except as follows :—J Whitehead allotted 2200 Ordy. instead of 2500 ; E. Wilson allotted 2000 Pref. and 5000 Ordy. instead of 5000 and 10000 ; E. Bailey allotted 3000 Pref. and 4500 Ordy. instead of 6000 and 5000 ; Harris allotted 500 Ordy. instead of 4000.

The excess of application money in these 4 cases is retained by the directors and carried forward towards allotment and calls, except in the case of F. Harris, to whom £5000 is returned. All the allottees remitted the amounts due on allotment. (*Enter in Journal and in Applications and Allotments Book ; post latter to Share Ledger. Enter Cash received on Allotment, and that returned to Harris in C.B.*)

(8) The Bank received on the 28th Feb. the following amounts due in respect of First Call. (*Enter in Journal, Call Book, and C.B.*)

| | Pref. | Ordy. | | Pref. | Ordy. |
|---|---|---|---|---|---|
| John Heaps .... | £1250 | £625 | Fred Harris .... | £6250 | |
| George Parker . | 500 | 250 | Albert Bowler .. | 3125 | £3750 |
| David Eaves ... | 1250 | 2500 | Charles Spencer | 1875 | 1250 |
| John Whitehead | 2500 | 2750 | Edwin Wilson .. | 2500 | 6250 |
| George McAdam | 1500 | 750 | Ernest Bailey... | 3750 | 5625 |

(9) Apl. 30. The amounts received by the Bank on a/c. of Second Call were as follows :—(*Enter in Journal, Call Book, and C.B.*)

| | Pref. | Ordy. | | Pref. | Ordy. |
|---|---|---|---|---|---|
| John Heaps .... | £1250 | £625 | Fred Harris .... | £6250 | |
| George Parker . | 500 | 250 | Albert Bowler .. | 3125 | £3750 |
| David Eaves ... | 1250 | 2500 | Charles Spencer | 1875 | 1250 |
| John Whitehead | 2500 | 2750 | Edwin Wilson .. | 2500 | 6250 |
| | | | Ernest Bailey... | 3750 | 5625 |

(10) Apl. 30. Paid F. Harris £14 5 10 for Int. at 5% per ann. on £625, being cash paid in advance from Jan. 6 to Feb. 28 = 53 days, £4 10 9 ; Jan 6 to Apl. 30 = 114 days, £9 15 1. (*Enter in C.B.*)

(11) Apl. 30. Balance of Purchase Money paid to Vendor, £167,000 together with interest thereon at 5% per ann. to date—4 mos. = £2783 6 8. (*Enter Int. in Jour. and Payment in C.B.*) Paid Preliminary Expenses, £5000. (*Cash Book.*)

(12) May 2. George Parker transfers 100 Ordy. Shares to John Heaps, of Bath Street, Batley, Merchant. Registration fee recd. 2/6. (*Enter Transfer in Register of Transfers, and 2/6 in C.B.*)

(13) June 30. Paid half-year's int. on Debentures, less tax at 1/-, £950. The Directors declare and the Bank pays Interim Dividend as follows :—2½% on Pref. Shares, less tax £4655 ; 3½% on Ordinary Shares, £6825 ; 3½% on Deferred Shares, £3500.

*Pass Tax on Debentures and Interim Divs., through Journal.*

(14) At a meeting of the Directors held on 30th Nov., 1914, it was resolved that the following shares be forfeited, viz. :—

Joe Swift, 400 Pref. Shares, Nos. 4401 to 4800 } *Journalise.*
500 Ordy. „ „ 4901 „ 5400 }

(15) Charge George McAdam with int. at the rate of 5% per ann. from April 30th to Dec. 31 = 8 mos., £75 on £2250, being the amount unpaid on Second Call. (*Enter in Journal.*)

(16) Transfer (*through the Journal*) premium on Debenture Stock to the credit of Preliminary Expenses A/c. £1000.

(17) Purchases from Sundry Creditors £250,000 ; Discounts allowed by ditto £1750 ; Sales to Sundry Debtors £400,000 ; Discounts allowed to ditto £3000 ; Received from Sundry Debtors, £380,000 ; Sundry Rents received, after allowing Property Tax, £100.

(18) Paid the following:—Half-year's int. on Debentures, less tax, £950 ; Sundry Creditors, £355,000 ; Directors' Fees, £1000 ; Wages, £6000 ; Carriage, £1500 ; Packing Materials, £2000 ; Salaries, £2000 ; Sundry Trade Exs., £450 ; Office Exs., £500 ; Repairs, £1200 ; Insurance, £350 ; Rates and Taxes, £400 ; Gas, Fuel, &c., £500 ; Law Charges, £700.

(19) Losses sustained by Bad Debts, £600. Reserve for Discount and Doubtful Debts 1½% on Debtors' balances, £1596.

Allow for Depreciation in respect of :—Freeholds, 2½% £50 ; Leaseholds, 2½% £150 ; Machinery, 5% £3500 ; Goodwill, 10% £122000 ; The taxable profit is £68125 2 6, for which allow Income Tax @ 1/- in the £. The *Stock* on Dec. 31, 1914, was £150000.

Out of the profits the Directors propose and the Shareholders at their meeting on 6th March, decide to write off the balance of Preliminary Exs., £4000 ; to place £3000 to a Reserve Fund ; to pay on 13th March further dividends on the Pref. Shares at the rate of 2½% ; less tax ; on the Ordy. and Deferred Shares at the rate of 6½%, and to carry forward £315 5.

## 382. TRANSFER OF ASSETS AND LIABILITIES on the Purchase or Conversion of a Business.

The shortest method of recording these transactions is shown in the key to the model exercise. The following is the method when a Purchase A/c. is opened :—

| | | | |
|---|---|---|---|
| Purchase Account ..... | Dr. | £267000 | |
| To Walter Nicotine (Vendor)..... | | | £267000 |
| Being the consideration to be paid by the company for the assignment of business, plant, machinery, premises, &c., mentioned in an agreement dated.....and made between W.N. and A.B., which agreement has this day been adopted by the company to be paid as follows :— 10000 fully paid Deferred Shares of £10 each ; £100000 ; Cash £167000. | | | |
| Sundries :— | | | |
| To Purchase Account ..... | | | 500000 |
| For the transfer to the proper A/cs. of the following as per Schedule annexed to Agreement dated ..... | | | |
| Freehold Tobacco Factory ..... | Dr. | 2000 | |
| Leasehold Tobacco Factory ..... | ,, | 6000 | |
| Machinery, Fixtures, and Plant..... | ,, | 70000 | |
| Sundry Debtors ..... | ,, | 90000 | |
| Tobacco, &c. ..... | ,, | 210000 | |
| Goodwill ..... | ,, | 122000 | |
| Purchase Account ..... | Dr. | 233000 | |
| To Sundry Creditors ..... | | | 233000 |
| For the transfer to the proper A/cs. as per Schedule annexed to the agreement dated | | | |
| Walter Nicotine (Vendor) ..... | Dr. | 100000 | |
| To Deferred Share Cap. A/c. ..... | | | 100000 |
| For 10000 fully paid shares of £10 each, issued to him as part consideration, etc. | | | |

The £167000 payable to the vendor in cash would pass through the Cash Book to the debit of his a/c. in the ledger, as also would any interest thereon, after having been journalised and posted.

**Dr.** **Purchase Account.** **Cr.**

| 1914. | | 1914. | |
|---|---|---|---|
| Jan. 1 To Walter Nicotine..... | £267000 | Jan. 1 By Freehold Property... | £2000 |
| ,, Sundry Creditors ... | 233000 | ,, Leasehold Factory... | 6000 |
| | | ,, Machinery, &c. ..... | 70000 |
| | | ,, Sundry Debtors ..... | 90000 |
| | | ,, Tobacco, &c. ..... | 210000 |
| | | ,, Goodwill ..... | 122000 |
| | £500000 | | £500000 |

**Dr.** **Vendor's A/c. (Walter Nicotine).** **Cr.**

| 1914. | | 1914. | |
|---|---|---|---|
| Jan. 7 To Deferred Share Capital ..... | £100000 - - | Jan. 1 By Purchase A/c.. .. | £267000 - - |
| Apr.30 ,, Bank ..... | 169783 6 8 | Apr.30 ,, Interest on £167000 at 5% for 4 mos. ... | 2783 6 8 |
| | £269783 6 8 | | £269783 6 8 |

**383. PRELIMINARY** or **FORMATION EXPENSES** include the cost of the preparation, circulation and advertising of the prospectus, the preparation and printing of the Memorandum and Articles of Association, the fees payable on filing the necessary documents with the Registrar, and generally all legal, accountancy and other work transacted on behalf of the company until the allotment of shares or the issue of the Share Certificate. Unless paid by the promoter or vendor, it is usual to take powers in the Memorandum to pay such expenses; in which case the payment must be entered in the C.B. and posted to the debit of a *Preliminary Expenses A/c.* This amount must be *written off* as quickly as practicable, either from "Forfeited Shares A/c.," "Premiums on Shares A/c.," or by an annual charge against the profits of the business, equally divided over a limited number of years, not exceeding ten, but preferably five years. The following shows the duty, fees, and stamps payable, together with an estimate of the expenses incurred in the formation of "Nicotine, Limited."

| | | |
|---|---|---|
| Duty on Capital | 1250 | – |
| Fee Stamp on Memorandum of Association | 48 | 15 |
| Deed Stamp on Ditto | | 10 |
| Deed Stamp on Articles of Association | | 10 |
| Fee Stamp on Ditto | | 5 |
| Fee Stamp on Notice of Office | | 5 |
| Stamp on Debenture at 2/6% | 62 | 10 |
| Stamp on Purchase Deed at 10/-% | 2500 | – |
| Printing and Advertising | 137 | 5 |
| Legal Charges, Accountancy Expenses, Underwriters and Brokers Commission | 1000 | – |
| | £5000 | – |

**384. APPLICATION AND ALLOTMENT.** A form of application for shares or stock is usually attached to, or enclosed along with the prospectus. This form is filled up by the applicant and forwarded to the company's banker, together with a cheque for the amount of the application money (not less than five per cent. of the nominal amount of each share), which must be entered in the Cash Book, either direct from the application forms, or the list supplied by the banker. Upon receipt of sufficient applications for shares to justify the company going to allotment, the Directors meet and pass a resolution allotting the shares to such applicants as they think fit, and the Secretary then forwards **Letters of Allotment** requesting payment of the amount due on allotment to those persons receiving an allotment, and **Letters of Regret,** with cheques for the return of the deposit, to those whose applications are refused. The total amount due on application and allotment must be entered in the Journal, in which the shareholders' names need not be inserted, if an **Application and Allotments Book** is used, from which the entries may be posted to the **Share Ledger.** Any application money returned, as well as the amounts received on allotment, must be entered in the Cash Book, the latter amounts being posted to the Share Ledger.

**385.** In the Model Exercise, as indicated above, the shortest method of recording the receipts of the various instalments of Capital is adopted, but in the case of large companies it is considered more convenient to have a *separate* account for each instalment of shares ; *e.g.*,

**Application A/c., Allotment A/c., 1st Call A/c., 2nd Call A/c.** When separate accounts are thus kept they need adjustment when the shares are over-subscribed, as the sum standing to the credit of the Application A/c. would be more than the amount due. The Application A/c. would therefore be debited and Allotment A/c. credited with the amount paid in excess. Where Letters of Regret have to be sent out, Application A/c. is debited and Sundry Applicants credited with the total amount returnable to Applicants credited with the total amount returnable to Applicants who receive no allotment or partial allotment, or the amount returned is posted direct from the Cash Book to the debit of Application A/c. The excess of receipts on the Application in the Model Exercise, is fully recorded in the following Journal entries and Accounts :—

| 1914. | | Dr. | Cr. |
|---|---|---|---|
| Jan. 4. | Preference Share Application A/c. .....Dr. | £50000 | |
| | To Preference Share Capital A/c. | | £50000 |
| | *Being* £2 10 0 *per share due on* 20000 *shares.* | | |
| „ 4. | Ordinary Share Application A/c. .....Dr. | 50000 | |
| | To Ordinary Share Capital A/c. | | 50000 |
| | *Being* £2 10 0 *per share due on* 20000 *shares.* | | |
| „ 7. | Preference Share Allotment A/c. .....Dr. | 100000 | |
| | To Preference Share Capital A/c. | | 100000 |
| | *Being* £5 *per share due on* 20000 *shares.* | | |
| „ 7. | Ordinary Share Allotment A/c. .....Dr. | 100000 | |
| | To Ordinary Share Capital A/c. | | 100000 |
| | *Being* £5 *per share due on* 20000 *shares.* | | |
| Feb.28. | Preference Share First Call A/c. .....Dr. | 25000 | |
| | To Preference Share Capital A/c. | | 25000 |
| | *Being* £1 5 0 *per share due on* 20000 *shares.* | | |
| „ 28. | Ordinary Share First Call A/c.....Dr. | 25000 | |
| | To Ordinary Share Capital A/c. | | 25000 |
| | *Being* £1 5 0 *per share due on* 20000 *shares.* | | |
| Apl.30. | Preference Share Second Call A/c. .....Dr. | 25000 | |
| | To Prefcrence Share Capital A/c. | | 25000 |
| | *Being* £1 5 0 *per share due on* 20000 *shares.* | | |
| „ 30. | Ordinary Share Second Call A/c. .....Dr. | 25000 | |
| | To Ordinary Share Capital A/c. | | 25000 |
| | *Being* £1 5 0 *per share due on* 20000 *shares.* | | |
| | Preference Share Application A/c. .....Dr. | 15000 | |
| | To Preference Share Allotment A/c. | | 15000 |
| | *Being amount paid in excess on application, and now transferred to allotment* (*Wilson* 3000 *shares, Bailey* 3000 *shares*). | | |
| | Ordinary Share Application A/c. .....Dr. | 17000 | |
| | To Ordinary Share Allotment A/c. | | 17000 |
| | *Being amount paid in excess on application, and now transferred to allotment* (*Whitehead* 300 *shares, Harris* 500 *shares, Wilson* 5000 *shares, Bailey* 500 *shares*). | | |
| | Ordinary Share Application A/c. .....Dr. | 5000 | |
| | To Fred Harris | | 5000 |
| | *Being amount paid in excess on application, and now returnable to applicant.* | | |

| | | | |
|---|---|---|---|
| Ordinary Share Application A/c. .....Dr. | | | |
| To Ordinary Share First Call A/c. | | | £625 |
| *Being amount paid in excess of application by F. Harris on 500 shares and now transferred to First Call A/c.* | | | |
| Ordinary Share Application A/c. .....Dr. | | 625 | |
| To Ordinary Share Second Call A/c. | | | 625 |
| *Being amount paid in excess on application by F. Harris on 500 shares and now transferred to Second Call A/c.* | | | |

**N.B.**—See remainder of Journal on page 450.

**Dr. Ordinary Share Application A/c. Cr.**

| 1914. | £ | 1914. | £ |
|---|---|---|---|
| Jan. 4 To Capital A/c. ..... | 50000 | Jan. 4 By Cash from Sundry Applicants ..... | 73250 |
| ,, Transfer. to Allotment A/c. .. | 17000 | | |
| ,, Cash returned ..... | 5000 | | |
| ,, Transfer to 1st Call... | 625 | | |
| ,, Transfer to 2nd Call... | 625 | | |
| | £73250 | | £73250 |

**Dr. Ordinary Share Allotment A/c. Cr.**

| 1914. | £ | 1913. | £ |
|---|---|---|---|
| Jan. 7 To Capital A/c. ..... | 100000 | Jan. 9 By Cash from Sundry Shareholders ..... | 83000 |
| | | ,, Transfer from Application A/c. ... | 17000 |
| | £100000 | | £100000 |

**Dr. Ordinary Share First Call A/c. Cr.**

| 1914. | £ | 1914. | £ |
|---|---|---|---|
| Feb. 28 To Capital A/c. ..... | 25000 | Feb. 28 By Cash from Sundry Shareholders ..... | 23750 |
| | | ,, Transfer from Application A/c. ... | 625 |
| | | ,, Forfeited Shares ... | 625 |
| | £25000 | | £25000 |

**Dr. Ordinary Share Second Call A/c. Cr.**

| 1914. | £ | 1914. | £ |
|---|---|---|---|
| Apr. 30 To Capital A/c. ..... | 25000 | Apr. 30 By Cash from Sundry Shareholders ..... | 23000 |
| | | ,, Transfer from Application A/c. ... | 625 |
| | | ,, Forfeited Shares ... | 625 |
| | | ,, Balance unpaid ... | 750 |
| | £25000 | | £25000 |

**Dr. Preference Share Application A/c. Cr.**

| 1914. | £ | 1914. | £ |
|---|---|---|---|
| Jan. 4 To Capital A/c. ..... | 50000 | Jan. 4 By Cash from Sundry Applicants ..... | 65000 |
| ,, Transfer to Allotment A/c. ..... | 15000 | | |
| | £65000 | | £65000 |

**Dr. Preference Share Allotment A/c. Cr.**

| 1914. | £ | 1914. | £ |
|---|---|---|---|
| Jan. 7 To Capital A/c. ..... | 100000 | Jan. 9 By Cash from Sundry Shareholders ..... | 85000 |
| | | ,, Transfer from Application A/c. ... | 15000 |
| | £100000 | | £100000 |

**Dr. Preference Share First Call A/c. Cr.**

| 1914. | £ | 1914. | £ |
|---|---|---|---|
| Feb. 28 To Capital A/c. ..... | 25000 | Feb. 28 By Cash from Sundry Shareholders ..... | 24500 |
| | | ,, Forfeited Shares ... | 500 |
| | £25000 | | £25000 |

**Dr. Preference Share Second Call A/c. Cr.**

| 1914. | £ | 1914. | £ |
|---|---|---|---|
| Apr. 30 To Capital A/c. ..... | 25000 | Apr. 30 By Cash from Sundry Shareholders ..... | 23000 |
| | | ,, Forfeited Shares | 500 |
| | | ,, Balance unpaid ..... | 1500 |
| | £25000 | | £25000 |

**386. CALLS** are requests for payments of instalments due on shares, and are made either in accordance with the terms of the Prospectus or by the order of the Directors. The total amount due on each call must be journalised, but the shareholders' names need not be entered if a **Call Book** or " Register of Calls " is used, from which the entries may be posted to the Share Ledger. The cash received in response to the **Call Letter** must be recorded in the Cash Book and posted to the Share Ledger. On **Calls paid in advance** it is usual to allow interest, which, when paid, need only be entered in the Cash Book as shown, or, if preferred, the transaction may be previously journalised thus :—

*Interest A/c. .....Dr.* £14 5 10
*To Fred Harris .....* £14 5 10

**Interest** must be charged on **Calls in Arrear** and journalised like transaction No. 15.

**CALL BOOK.**

*First Call of* 25/- *a share made 7th February.* *Payable* 28th *February.*

| Share Ledger Folio. | Name of Shareholder. | No. of Shares held. | Amount due. | Date paid. | Interest | Remarks |
|---|---|---|---|---|---|---|
| 1 | John Heaps..... | 1000 | £1250 | 1914 Feb. 28 | | |
| 2 | George Parker ..... | 400 | 500 | ,, 28 | | |

**387. FORFEITED SHARES.** The Articles of Association usually provide that in the event of non-payment of calls, the Directors may, after having given due notice of their intention to the defaulting shareholder, proceed by resolution to forfeit his shares. The entries giving effect to forfeiture would have to be made through the Journal by writing off to a "Forfeited Shares A/c." whatever amounts had been paid upon the shares; and writing back the calls outstanding, and so closing the Share Ledger A/c. (*See transaction No.* 14). Until the shares are re-issued, the amount paid up on the forfeited shares must be shown as a Liability in the B/S., but when the shares are again disposed of, the bal. of the *Forfeited Shares A/c.* may be either credited to a Reserve Fund or applied towards the liquidation of an unrealisable asset, such as Preliminary Exs. or Goodwill. The Directors have power to re-issue such shares at a dis. not exceeding the amount originally paid up thereon; and when this is done the resulting deficiency of the *Share Cap. A/c.* must be recovered from the *Forfeited Shares A/c.* by means of a journal entry. Any member whose shares have been forfeited is still liable to pay all calls owing upon such shares *at the time of the forfeiture.*

**388. TRANSFER OF SHARES** The main distinction between a partnership and a company is that in the latter the members can **sell** and transfer their shares without the consent of their co-members, unless specially forbidden by the Articles of Association. The

original allottee of the shares of a company remains entitled to the benefit and subject to the obligations of the shares until he has got rid of them either by (*a*) transfer on sale or otherwise (*b*) death or bankruptcy or (*c*) forfeiture or surrender. The first two are commonly referred to as the *Transfer and Transmission of Shares*. After the Form of Transfer has been completed by the parties and deposited with, and passed by, the Secretary, he will record the transaction in the **Register of Transfers,** from which it will be posted to the Share Ledger to the credit of the transferor, and to the debit of a new a/c. in the name of the transferee. It will thus be seen that the registration of a change of ownership of certain shares does not affect the *Financial Books*, this transaction being merely entered in one of the *Statistical Books*. On the **death** of a shareholder his interest in a company passes to his executor or administrator, who must produce to the secretary of the company the **Probate** of the **Will** of the deceased shareholder, or Letters of Administration of his estate, before the secretary can register the name or names of the executors or administrators. In the case of a **bankruptcy** the right to deal with and to receive the profits of the shares at once vests in the trustee, and he is entitled either to transfer the shares or to have himself registered as a shareholder. It is usual to charge a **Registration Fee** of 2/6 on each transfer. These fees are posted from the C.B. to a *Registration Fees A/c*; the total amount being transferred on balancing to the Cr. side of the last section of the P. & L. A/c.

**REGISTER OF TRANSFERS** (*Ordinary*).

| Date. | No. of Transfer. | Transferor. | | | Transferee. | | | | No. of Shares. | Distinctive Numbers. | | Remarks. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Fo. in Share Ledger. | Name. | Address. | Fo. in Share Ledger. | Name | Address. | Occupation. | | From | To | |
| 1914. May 2 | 1 | 2 | George Parker | Vernon Rd., Leeds. | 12 | John Heaps | 8 Bath St., Batley. | Merchant | 100 | 501 | 600 | |

## Specimen of COMMON TRANSFER DEED.

Impressed Stamp £5 0s. 0d.

I, **George Parker**, *of Vernon Road, Leeds, in the County of York, Cashier*, in consideration of the sum of *One thousand pounds*, paid by **John Heaps**, of 8 *Bath Street, Batley, in the County of York, Merchant*, hereinafter called the said Transferee.

**Do** hereby bargain, sell, assign, and transfer to the said Transferee :—*100 (One hundred) Ordinary Shares of £10 (Ten Pounds) each, numbered 501 to 600 all inclusive*, of and in the undertaking called *Nicotine, Limited.*

Certificates for *100 Ordinary* Shares in Company's Office. *Nicotine, Ltd., Arthur Fieldhouse, Secretary.*

**To hold** unto the said Transferee, his Executors, Administrators and Assigns, subject to the several conditions on which *I* held the same immediately before the execution hereof; and *I* the said Transferee do hereby agree to accept and take the said *shares* subject to the conditions aforesaid.

**As Witness** our Hands and Seals, this *second* day of *May*, in the Year of Our Lord One thousand nine hundred *and fourteen.*

Signed, sealed, and delivered by the above-named *George Parker*, in the presence of

Signature.....*T. Burgess* .....
Address..*16 Clarendon Street, Leeds* ..
Occupation.....Clerk .....

*GEORGE PARKER* SEAL.

Signed, sealed, and delivered by the above-named *John Heaps*, in the presence of

Signature.....*Edward Clarke*.....
Address..*13 Beverley Terrace. Batley*..
Occupation.....*Engineer* .....

*JOHN HEAPS* SEAL.

## Specimen SHARE CERTIFICATE.

Certificate No. 12. **Ordinary Shares.** No. of Shares 100

### NICOTINE LIMITED.

Incorporated under the Companies' (Consolidation, Act, 1908.

### CAPITAL £500,000,

divided into
20,000 5% Cumulative Preference Shares of £10 each.
20,000 7% Ordinary Shares of £10 each.
10,000 Deferred Shares of £10 each.

**This is to Certify** *that John Heaps of 8 Bath Street, Batley, is the Registered Proprietor of One hundred fully paid Ordinary Shares of Ten Pounds each numbered 501 to 600, in Nicotine, Limited, subject to the Memorandum and Articles of Association of the said Company.*

SEAL.

**Given** *under the Common Seal of the said Company this fifth day of May*, 1914.

*WALTER NICOTINE,*
*EDWIN WILSON,* } *Directors.*
*ARTHUR FIELDHOUSE, Secretary.*

NOTE.—No Transfer of the above shares can be registered unless accompanied by this Certificate.

**389. CAPITAL and REVENUE.** Revenue, strictly speaking, is the annual income, profits, interest, or return of any species of property, real or personal. The expression **Revenue A/c.** is a generic term embracing *all* accounts dealing with income, earnings, or profits, against which are charged the costs, expenses, and losses connected therewith, during a given period, the excess of revenue, in the case of a joint stock company, being available for distribution among the shareholders. " Revenue A/c." " Profit and Loss A/c." and " Income and Expenditure A/c." are synonymous terms, the first named being principally applied to the a/cs. of railway, lighting and water companies, while " Profit and Loss A/c." is a term used by trading concerns, and " Income and Expenditure A/c." by non-trading associations. The theoretical P. & L. A/c. may be sub-divided into (1) Trading A/c. (2) P. & L. A/c. (3) Appropriation A/c. or into (1) Manufacturing A/c. (2) Trading A/c. (3) P. & L. A/c. (4) Appropriation A/c., according as the business is concerned with trading only, or with both manufacturing and trading. The Manufacturing A/c. shows the cost of production, the Trading A/c. the gross profit on trading, the P. & L. A/c. the net profit or loss on the business as a whole, and the Appropriation A/c. the disposition of the profit. The theoretical Income and Expenditure A/c. of a non-trading association may also be sub-divided into (1) Income and Expenditure A/c. for the period under review, (2) Appropriation A/c.

**390.** It is most important, on the one hand, that *none* of the **Capital** or **Assets** should be accounted as income and distributed, and on the other hand, that all expenses, losses and charges incurred in the production of the income, should be duly debited against the same. The subject has necessarily already received much attention in a graduated manner in several parts of the book, particularly in paragraph 81. To put it shortly, all money expended in purchasing, constructing, or equipping any kind of property which helps in the production of profit or revenue ; as well as that expenditure incurred in permanently improving, enlarging, or

extending any kind of property, so as to increase the revenue earning capacity thereof, is known as **Capital Expenditure,** and should be debited to the a/c. of the particular asset affected thereby, and *not* charged to revenue, as it causes *no loss*. On the other hand, however, all payments made in respect of renovations, repairs, replacements, etc., which merely have the effect of *maintaining* the value of any existing asset, are "working expenses," causing a loss to the Proprietor, and are therefore known as **Revenue Expenditure ;** and should be debited to the Revenue or P. & L. A/c. or one of their sub-divisions.

**391. Carefully study** the a/cs. on pages 274-5, from which it will be seen that there should be debited to revenue, the cost of everything consumed in the process of manufacture, as well as the wages, salaries, rents, royalties, taxes, and all other expenses attending the packing, warehousing, carrying, selling, and distributing of either materials or finished articles ; also those losses which are incurred during the period under review, such as repairs and replacements to property, depreciation or reserves on the various assets, interest on capital or loans, sinking fund charges and income tax. Particularly in the purchase of new plant, machinery and tools, it is necessary to distinguish which should be charged to capital and which to revenue. For instance, if any part of the purchase is to *replace* loose tools, the amount should, undoubtedly, be charged to revenue ; but if to *increase* or *augment* the existing stock, then the amount should be debited to capital ; *i.e.* the "*Loose Tools A/c.*" which is presumed to have been duly depreciated at each balancing. In the case of the sale of any asset at a lower figure than that at which it stands in the books ; say, of a horse for £5, which stood at £10 ; the difference or loss of £5, should, at the time of the sale, be charged to revenue by debiting the Depreciation A/c. See the Suspense A/c., par. 182, as to the adjustment of expenses either unpaid, or paid in advance, at the time of balancing. Also see chapter on the Double A/c. system.

**392. INCOME TAX** should always be deducted at the **full rate** on the payment of interest on Debentures, as well as from the Dividends payable in respect of Pref. Shares, otherwise an injustice would be done to the Ordinary Shareholders. It is quite immaterial whether the tax is deducted or not on the Ordinary Shares, and the statement that "the dividends are payable *free of income tax*" merely indicates that the *gross* dividend declared will be paid to the shareholder, who will **not** be required to pay any further tax upon this source of income, as the Company has already paid the tax upon the whole of the profits earned. No *individual* shareholder is ever called upon to pay tax upon dividends received from a public company; on the contrary he is entitled to return of the tax on such dividends if his total income does not exceed £130 per annum. In the model exercise the tax is charged at 1/- (although at present 6/-) in the £ for convenience of calculation and typesetting, and the taxable profit is ascertained thus:

| | | | | |
|---|---|---|---|---|
| Take the *Balance* of the 1st section of the P.&L.a/c. | | £55054 | – | – |
| *Add* Interest on Calls and Registration Fee ..... | | 75 | 2 | 6 |
| *Add* Reserve for Doubtful Debts and Discounts | | 1596 | – | – |
| *Add* Depreciation ..... | £15900 | | | |
| *Less* Depreciation on Machinery ... | 3500 | 12400 | – | – |
| | | £69125 | 2 | 6 |
| *Less* Directors' Fees ..... | | 1000 | – | – |
| **Profit** liable to Income Tax ..... | | £68125 | 2 | 6 |
| Amount payable at 1/- in the £..... | | 3406 | 5 | – |
| *Less* Tax on Debenture Interest ..... | £100 | | | |
| *Less* Tax on Preference Dividends ... | 490 | 590 | – | – |
| Amount to be charged to the P. & L. a/c. ..... | | £2816 | 5 | – |

**Dr.** **Income Tax Collector.** **Cr.**

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| 1914. | | | | | |
| June 30 | By Interest A/c. (Debentures)..... | | 50 | – | – |
| ,, ,, | ,, Dividend A/c. (Pref. Shs.)..... | | 245 | – | – |
| Dec. 31 | ,, Interest A/c. (Debentures)..... | | 50 | – | – |
| ,, ,, | ,, P. & L. A/c. (Tax on Profits) .. | | 2816 | 5 | – |
| 1915. | | | | | |
| Mar. 6 | ,, Dividend A/c. (Pref. Shs.)..... | | 245 | – | – |

**393. PROFITS AND DIVIDENDS.** As to what profits are available for dividend, and the manner in

which the same are divided between the holders of shares must be determined in accordance with the Memorandum or Articles of Association ; while Interest on Debentures is reckoned exactly from the date of the receipt of the instalments. Dividends on shares are generally declared for an even period irrespective of the receipt of the cash. Dividends upon *partly-paid* shares are usually paid according to the amounts respectively *paid up* thereon, and *not* according to the nominal amount of the shares ; moneys paid in advance of calls, and carrying interest, being, of course, excluded from the amounts deemed to be paid up on the shares for this purpose. Where the Directors have power and are satisfied that there are profits to divide, they may declare an **Interim Dividend,** which is a dividend declared before the expiration of the ordinary financial period, either on a/c. of current profits, or out of accumulations. No dividend should be declared on Ordinary or Deferred Shares where the Revenue a/c. shows a loss on the working, or where the profit earned does not extinguish and exceed any previous losses ; unless there is a Reserve Fund, out of which it is competent for the Directors to make a distribution. Dividends cannot be paid out of capital, even if the Memorandum or Articles of Association authorise such a payment, as it would be in fact a reduction in capital. Directors who wilfully pay dividends out of capital are personally liable to make good the amount. Shareholders who receive dividends knowing that they are paid out of capital may be ordered to indemnify the directors to the extent of the amounts they have so received.

**394.** Section 91 of the Companies (Consolidation) Act, authorises the **payment** of **interest** out of **capital** where any shares of a company are issued for the purpose of raising money to defray the **expenses** of the **construction** of any works or buildings, or the provision of any plant, which cannot be made profitable for a *lengthened period*, but subject to the following restrictions :—(1) The payment can only be made if authorised by the Articles or by special resolution, and sanctioned

by the **Board of Trade ;** (2) The payment must only be for the period determined by the Board of Trade, not extending beyond the half-year succeeding that in which the works are completed or the plant provided ; (3) The rate of interest must not exceed 4 per cent., or such lower rate as may be prescribed by Order in Council ; (4) The accounts of the company must show the capital on which, and the rate at which, interest is paid during the period to which the accounts relate.

**395.** Where there are many shareholders it is convenient to keep a **Dividend Account Book** or List in which to enter all the details. A single cheque should be drawn for the whole amount of the dividend, and paid into a separate banking a/c., against which the dividend warrants for each amount should be issued, thus the balance on this banking (dividend) a/c. will show the amount of **dividends unclaimed,** which should be shown among the liabilities in the B/S.

**396.** The **dividend** is **paid** to the shareholders actually registered in the books of the company before the date fixed for the payment, irrespective of the date when the shares were purchased. Large companies always **close** the **Registers** for a week or more prior to the payment of a dividend, so as to stop the registration of new holders while the Dividend List is being prepared. An announcement to this effect is advertised in the financial and other newspapers, thus :—

> NICOTINE, LIMITED. — TRANSFER BOOKS will be closed from Monday, the 22nd inst., to Tuesday, the 30th inst., inclusive, for preparation of Dividend Warrants.
> ARTHUR FIELDHOUSE, Secretary,
> 50 Austinfriars, London, E.C.

**397.** The **Circulars** announcing the dividend are usually printed in book form, being perforated into two portions, the upper one being the Dividend Statement and the lower one the Dividend Warrant drawn upon the Company's Bankers. The names and amounts are filled in from the Dividend List and dispatched to the

registered shareholder, who would pay the warrant into his banking a/c. in the usual way. Where a shareholder is entitled to repayment of the Income Tax on the dividend it would be necessary for him to attach the Dividend Statement to the Form of Claim to be sent to the Inland Revenue Department.

**Dividend Book or Sheet.**

Interim Dividend on Preference Shares paid 30th June, 1914.

**N.B.**—The tax payable by a Limited Company on its profits, however small, is always at the *full rate*. But for convenience of calculation and typesetting it has been reckoned at 1/- in the £, although it is 6/- at present.

| Folio in Register. | Name of Shareholder. | Number of Shares. | Amount of Shares. | Dividend at 2½%. | Income Tax deducted at 1/- in the £. | Net amount payable. | Remarks. |
|---|---|---|---|---|---|---|---|
| | | | £ | £ | £ s. | £ s. | |
| 1 | John Heaps ..... | 1000 | 10000 | 250 | 12 10 | 237 10 | |
| 2 | Geo. Parker ..... | 400 | 4000 | 100 | 5 - | 95 - | |
| 3 | David Eaves..... | 1000 | 10000 | 250 | 12 10 | 237 10 | |
| 4 | J. Whitehead ... | 2000 | 20000 | 500 | 25 - | 475 - | |
| 5 | Geo. McAdam ... | 1200 | 12000 | 300 | 15 - | 285 - | |
| 6 | Fred Harris ..... | 5000 | 50000 | 1250 | 62 10 | 1187 10 | |
| 7 | Alb. Bowler ..... | 2500 | 25000 | 625 | 31 5 | 593 15 | |
| 8 | Chas. Spencer ... | 1500 | 15000 | 375 | 18 15 | 356 5 | |
| 9 | Edwin Wilson ... | 2000 | 20000 | 500 | 25 - | 475 - | |
| 10 | Ernest Bailey ... | 3000 | 30000 | 750 | 37 10 | 712 10 | |
| | | 19600 | 196000 | 4900 | 245 - | 4655 - | |

**Dr. Dividend A/c. Cr.**

| 1914. | | £ | 1914. | | £ |
|---|---|---|---|---|---|
| June 30 | To Income Tax A/c. (1/- in the £ on £4900 Pref. Div.) | 245 | June 30 | By P. & L. Appropriation A/c. | |
| ,, ,, | To Cash:— | | | Preference Div. | 4900 |
| | Sundry Pref. Shareholders | 4655 | | Ordinary Div.... | 6825 |
| | Do. Ordy. ,, | 6825 | | Deferred Div.... | 3500 |
| | Do. Defd. ,, | 3500 | | | |
| 1915. | | | 1915. | | |
| Mar. 6 | To Income Tax A/c. (1/- in the £ on £4900 Pref. Div.) | 245 | Mar. 6 | By P. & L. Appropriation A/c. | |
| ,, 13 | To Cash:— | | | Preference Div. | 4900 |
| | Sundry Pref. Shareholders | 4655 | | Ordinary Div.... | 12675 |
| | Do. Ordy. ,, | 12675 | | Deferred Div.... | 6500 |
| | Do. Defd. ,, | 6500 | | | |
| | | £ 39300 | | | £ 39300 |

**398. A P/L. Appropriation A/c.** is often prepared for the purpose of showing the disposition or application of the net profit. This A/c. is *credited* with the net profit brought from the P. & L., or Revenue A/c., also the undivided profit or balance b/f. from the previous balancing; while the *Dr. side* shows the amount placed to the

Reserve Fund, the dividends to be paid, and the balance c.f. to the next a/c. (see Appropriation A/c. to Model Exercise of Nicotine, Ltd.). When an Appropriation A/c is not used, the disposition of the profit may be shown in the B/S., where the *net profit* for the *current period* must be shown separate from the balance *brought forward* from the previous balancing, thus :—

*Profit & Loss A/c.* :—

| | | |
|---|---|---|
| *Balance b/f. 1st January*, 1913 ... | £1560 | |
| *Add Net Profit for the year* .. | 17985 | —19545 |
| *Less Interim Dividend paid* | 5720 | |
| | | ———£13825 |

After the a/cs. have been submitted to, and passed by, the shareholders, and the proposed appropriation has been sanctioned by them at the General Meeting, these transactions may be journalised.

**NICOTINE, LIMITED.**

**Journal of Model Exercise** (page 432.)

**N.B.**—See other portion of Journal on page 438.

| 1914. | | Dr. | Cr. |
|---|---|---|---|
| Jan. 1. | Freehold Tobacco Factory .....Dr. | £2000 | |
| | Leasehold Tobacco Factory ..... „ | 6000 | |
| | Machinery, Fixtures & Plant ..... „ | 70000 | |
| | Sundry Debtors ..... „ | 90000 | |
| | Tobacco, &c. ..... „ | 210000 | |
| | Goodwill ..... „ | 122000 | |
| | To Walter Nicotine (Purchase A/c.) | | £500000 |
| | Being Sundry Assets acquired by the Coy. this day as per resolution of the Board No... confirming Agreement of this date between the Company and Walter Nicotine. | | |
| | Walter Nicotine (Purchase A/c.)..Dr. | 233000 | |
| | To Sundry Creditors ..... | | 233000 |
| | Being Sundry Liabilities taken over by the Company this day as per resolution, &c. | | |
| „ 7. | Walter Nicotine (Share A/c.) .....Dr. | 100000 | |
| | To Deferred Share Cap. A/c. ..... | | 100000 |
| | For 10,000 Shares allotted to Walter Nicotine this day as fully paid up in part payment of purchase money, as per resolution of the Board No... confirming Agreement of this date between the Company and Walter Nicotine duly filed with the Registrar of Joint Stock Companies. | | |

| 1914. | | Dr. | Cr. |
|---|---|---|---|
| Jan. 7. | Walter Nicotine (Purchase A/c.) .... | £100000 | |
| | To Walter Nicotine (Share A/c.) ... | | £100000 |
| „ 7. | Sundry Shareholders (*Separate A/cs.*) | | |
| | To Preference Share Capital A/c. (Application and Allotment) ..... | | 150000 |
| | To Ordinary Share Capital A/c. .... (Application and Allotment) ..... | | 150000 |

| | Pref. | Ordy. | |
|---|---|---|---|
| John Heaps..... | 1000 | 500 | 11250 |
| George Parker ..... | 400 | 200 | 4500 |
| David Eaves ..... | 1000 | 2000 | 22500 |
| John Whitehead..... | 2000 | 2200 | 31500 |
| Joe Swift ..... | 400 | 500 | 6750 |
| George McAdam..... | 1200 | 600 | 13500 |
| Fred Harris ..... | 5000 | 500 | 41250 |
| Albert Bowler ..... | 2500 | 3000 | 41250 |
| Charles Spencer ..... | 1500 | 1000 | 18750 |
| Edwin Wilson ..... | 2000 | 5000 | 52500 |
| Ernest Bailey ..... | 3000 | 4500 | 56250 |

For 40,000 shares allotted to the above persons upon which £2 10 – has already been paid ; and a further £5 per share is now due.

| | | | |
|---|---|---|---|
| „ 7. | Beckett & Co. ..... | 51000 | |
| | To 4% Debenture Stock A/c. .... | | 50000 |
| | „ Debenture Premium A/c. .... | | 1000 |

For total amount due (including premium) on application and allotment of 4% Mortgage Debenture Stock.

| | | | |
|---|---|---|---|
| Feb. 28. | Sundry Shareholders (*Separate A/cs.*) | | |
| | To Pref. Sh. Cap. A/c. (1st Call) .. | | 25000 |
| | „ Ordy. Sh. Cap. A/c. (1st Call) | | 25000 |

| | Pref. | Ordy. | |
|---|---|---|---|
| John Heaps..... | 1000 | 500 | 1875 |
| George Parker ..... | 400 | 200 | 750 |
| David Eaves ..... | 1000 | 2000 | 3750 |
| John Whitehead..... | 2000 | 2200 | 5250 |
| Joe Swift ..... | 400 | 500 | 1125 |
| George McAdam..... | 1200 | 600 | 2250 |
| Fred Harris ..... | 5000 | 500 | 6875 |
| Albert Bowler ..... | 2500 | 3000 | 6875 |
| Charles Spencer ..... | 1500 | 1000 | 3125 |
| Edwin Wilson ..... | 2000 | 5000 | 8750 |
| Ernest Bailey ..... | 3000 | 4500 | 9375 |

For 1st Call of £1 5 – per share on 40,000 shares due this day.

| | | | |
|---|---|---|---|
| Apl. 30. | Sundry Shareholders (*Separate A/cs.*) | | |
| | To Pref. Sh. Cap. A/c. (2nd Call) .. | | 25000 |
| | „ Ord. Sh. Cap. A/c (2nd Call) .. | | 25000 |

| 1914. | | Pref. | Ordy. | Dr. | Cr. |
|---|---|---|---|---|---|
| Apl. 30. | John Heaps | 1000 | 500 | £1875 | |
| | George Parker | 400 | 200 | 750 | |
| | David Eaves | 1000 | 2000 | 3750 | |
| | John Whitehead | 2000 | 2200 | 5250 | |
| | Joe Swift | 400 | 500 | 1125 | |
| | George McAdam | 1200 | 600 | 2250 | |
| | Fred Harris | 5000 | 500 | 6875 | |
| | Albert Bowler | 2500 | 3000 | 6875 | |
| | Charles Spencer | 1500 | 1000 | 3125 | |
| | Edwin Wilson | 2000 | 3000 | 8750 | |
| | Ernest Bailey | 3000 | 4500 | 9375 | |
| | For 2nd Call of £1 5 – per share on 20,000 Ordinary and 20,000 Preference Shares due this day. | | | | |
| Apl. 30. | Interest A/c. | | | 2783/6/8 | |
| | To W. Nicotine (Purchase A/c.) | | | | £2783/6/8 |
| | For Interest at the rate of £5% per ann. for 4 mos. on £167,000 being balance of purchase money. | | | | |
| June 30. | Interest A/c. | | | 50 | |
| | To Income Tax Collector | | | | 50 |
| | For Tax at 1/- in the £ on ½ year's Interest on Debentures. | | | | |
| June 30. | P. & L. Appropriation A/c. | | | 14980 | |
| | To Div. A/c. 2½% Pref.Shs.(less tax) | | | | 4655 |
| | ,, Do. 3½% Ordinary Shares | | | | 6825 |
| | ,, Do. 3½% Deferred Shares | | | | 3500 |
| | Being the aggregate amount of Interim Dividends declared by the Directors at a Meeting held this day | | | | |
| Nov.30. | Preference Share Capital A/c. | | | 4000 | |
| | Ordinary Share Capital A/c. | | | 5000 | |
| | To Forfeited Shares A/c. | | | | 9000 |
| | Being 400 Pref. Shares Nod. 4401 to 4800 and 500 Ord. Shares Nod. 4901 to 5400 forfeited by a resolution of the Directors on this date. | | | | |
| | Forfeited Shares A/c. | | | 2250 | |
| | To Joe Swift | | | | 2250 |
| | For transfer of balance unpaid on 400 Pref. and 500 Ordinary Shares. | | | | |
| Dec. 31. | George McAdam | | | 75 | |
| | To Interest A/c. | | | | 75 |
| | Being interest at the rate of 5% per ann. on £2250, being the amount unpaid on 2nd call. | | | | |

| 1914. | | Dr. | Cr. |
|---|---|---|---|
| Dec. 31. | Purchase A/c. ..... | £250000 | |
| | To Sundry Creditors ..... | | £250000 |
| | Sundry Creditors ..... | 1750 | |
| | To Discounts ..... | | 1750 |
| | Sundry Debtors ..... | 400000 | |
| | To Sales A/c. ..... | | 400000 |
| | Discounts ..... | 3000 | |
| | To Sundry Debtors ..... | | 3000 |
| | Interest A/c. ..... | 50 | |
| | To Income Tax Collector ..... | | 50 |
| | For Tax at 1/- in the £ on ½ year's Interest on Debentures. | | |
| | Bad Debts ..... | 600 | |
| | To Sundry Debtors ..... | | 600 |
| | Debenture Premium A/c. ..... | 1000 | |
| | To Preliminary Expenses ..... | | 1000 |
| | Profit & Loss A/c. ..... | 1596 | |
| | To Reserve for Doubtful Debts & Discount at 1½% ..... | | 1596 |
| | Profit & Loss A/c. (Depreciation)..... | 15900 | |
| | To Freehold Property (2½%) ..... | | 50 |
| | „ Leasehold Property (2½%) .... | | 150 |
| | „ Machinery, &c. (5%) ..... | | 3500 |
| | „ Goodwill (10%) ..... | | 12200 |
| | Profit & Loss A/c. ..... | 3306/5 | |
| | To Income Tax Collector ..... | | 3306/5 |
| | For Tax at 1/- in the £ on Taxable Profit. | | |
| 1915. | | | |
| Mar. 6. | P. & L. Appropriation A/c. ..... | 23830 | |
| | To Div. A/c. 2½% Pref.Shs.(less tax) | | 4655 |
| | „ Do. 6½% Ordinary Shares | | 12675 |
| | „ Do. 6½% Deferred Shares | | 6500 |
| | Being the aggregate amount of Divs. voted by Shareholders at General Meeting held this day. | | |
| Mar. 6. | P. & L. Appropriation A/c. ..... | 4000 | |
| | To Preliminary Expenses A/c. .... | | 4000 |
| | Being the amount transferred to extinguish the latter a/c. by resolution of General Meeting held this day. | | |
| Mar. 6. | P. & L. Appropriation A/c. ..... | 3000 | |
| | To Reserve Fund A/c..... | | 3000 |
| | Being the amount transferred to latter a/c. by resolution of General Meeting held this day. | | |

## NICOTINE, LIMITED. SHARE LEDGER (Ordinary).

JOHN HEAPS, 8 Bath Street, Batley, Merchant.

CASH ACCOUNT. SHARE ACCOUNT.

| Dr. Amount payable. | | | | | Cash paid. | | | | Cr. Shares acquired. | | | | | Shares Transferred. | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date. | Particulars. | Amount called up. | Fo. | Amount | Date. | Particulars. | Fo. | Amount | Date. | No. of Transfer or Allotment. | No. of Shares acquired. | Inclusive Numbers From | Inclusive Numbers To | Date. | Transfer No. | No. of Shares Transferred. | Inclusive Numbers From | Inclusive Numbers To | Balance of Shares. |
| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | | | | | | |
| Jan. 7 | To Share Cap. Application & | s. | | | Jan. 4 | By Cash, Appl. | CB1 | 1250 | Jan. 7 | 1 | 500 | 1 | 500 | | | | | | 500 |
| | Allotment..... | 150 | J. 1 | 3750 | ,, 9 | ,, do. Allot. | CB1 | 2500 | May 2 | 1 | 100 | 501 | 600 | | | | | | 600 |
| Feb. 28 | ,, Share Cap.: | s. | | | Feb. 28 | ,, do. 1st Call | CB1 | 625 | | | | | | | | | | | |
| | First Call..... | 25 | J. 2 | 625 | Apr. 30 | ,, do. 2nd Call | CB1 | 625 | | | | | | | | | | | |
| Apr. 30 | ,, Share Cap.: | s. | | | | | | | | | | | | | | | | | |
| | Second Call... | 25 | J. 2 | 625 | | | | | | | | | | | | | | | |
| | | | | £5000 | | | | £5000 | | | | | | | | | | | |

GEORGE PARKER, Vernon Road, Leeds, Cashier.

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | 1914. | | | | | |
| Jan. 7 | To Share Cap. Application & | s. | | | Jan. 4 | By Cash, Appl. | CB1 | 500 | Jan. 7 | 2 | 200 | 501 | 700 | May 2 | 1 | 100 | 501 | 600 | 100 |
| | Allotment..... | 150 | J. 1 | 1500 | ,, 9 | ,, do. Allot. | CB1 | 1000 | | | | | | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | | Feb. 28 | ,, do. 1st Call | CB1 | 250 | | | | | | | | | | | |
| | First Call..... | 25 | J. 2 | 250 | Apr. 30 | ,, do. 2nd Call | CB1 | 250 | | | | | | | | | | | |
| Apr. 30 | ,, Share Cap.: | s. | | | | | | | | | | | | | | | | | |
| | Second Call... | 25 | J. 3 | 250 | | | | | | | | | | | | | | | |
| | | | | £2000 | | | | £2000 | | | | | | | | | | | |

## DAVID EAVES, 1 Mount Street, Hull, Schoolmaster.

| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment..... | s. 150 | J.1 | 15000 | Jan. 4 | By Cash, Appl. | CB1 | 5000 | Jan. 7 | 3 | 2000 | 701 | 2700 | 2000 |
| | | | | | ,, 9 | ,, do. Allot. ... | CB1 | 10000 | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call ..... | s. 25 | J.2 | 2500 | Feb. 28 | ,, do. 1st Call | CB1 | 2500 | | | | | | |
| | | | | | Apl. 30 | ,, do. 2nd Call | CB1 | 2500 | | | | | | |
| Apl. 30 | ,, Share Cap.: Second Call... | s. 25 | J.2 | 2500 | | | | | | | | | | |
| | | | | £20000 | | | | £20000 | | | | | | |

## JOHN WHITEHEAD, 76 Portman Road, Bolton, Surveyor.

| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment..... | s. 150 | J.1 | 16500 | Jan. 4 | By Cash, Appl. | CB1 | 6250 | Jan. 7 | 4 | 2200 | 2701 | 4900 | 2200 |
| | | | | | ,, 9 | ,, do. Allot. ... | CB1 | 10250 | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call ..... | s. 25 | J.2 | 2750 | Feb. 28 | ,, do. 1st Call | CB1 | 2750 | | | | | | |
| | | | | | Apl. 30 | ,, do. 2nd Call | CB1 | 2750 | | | | | | |
| Apl. 30 | ,, Share Cap.: Second Call... | s. 25 | J.2 | 2750 | | | | | | | | | | |
| | | | | £22000 | | | | £22000 | | | | | | |

## JOE SWIFT, Moor Lane, Sheffield, Engineer.

| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment..... | s. 150 | J.1 | 3750 | Jan. 4 | By Cash, Appl. | CB1 | 1250 | Jan. 7 | 5 | 500 | 4901 | 5400 | |
| | | | | | ,, 9 | ,, do. Allot. ... | CB1 | 2500 | | | | | | |
| | | | | | Nov. 30 | ,, Forfeited Shares A/c. | J.3 | 1250 | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call ..... | s. 25 | J.2 | 625 | | | | | | | | | | |
| Apl. 30 | ,, Share Cap.: Second Call... | s. 25 | J.2 | 625 | | | | | | | | | | |
| | | | | £5000 | | | | £5000 | | | | | | |

## GEORGE McADAM, Peel Place, Edinburgh, Solicitor.

| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & | s. | | | Jan. 4 | By Cash, Appl. | CB1 | 1500 | Jan. 7 | 6 | 600 | 5401 | 6000 | | | 600 |
| | Allotment..... | 150 | J.1 | 4500 | 9 | ,, do. Allot. ... | CB1 | 3000 | | | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | | Feb. 28 | ,, do. 1st Call | CB1 | 750 | | | | | | | | |
| | First Call ..... | 25 | J.2 | 750 | Dec. 31 | ,, *Balance...c/f* | | 775 | | | | | | | | |
| Apl. 30 | ,, Share Cap.: | s. | | | | | | | | | | | | | | |
| | Second Call... | 25 | J.2 | 750 | | | | | | | | | | | | |
| Dec. 31 | ,, Interest ..... | | | 25 | | | | | | | | | | | | |
| | | | | £6025 | | | | £6025 | | | | | | | | |

## FRED HARRIS, Broadway, Bexley Heath, Book-keeper.

| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & | s. | | | Jan. 4 | By Cash, Appl. | | 10000 | Jan. 7 | 7 | 500 | 6001 | 6500 | | | 500 |
| | Allotment..... | 150 | | 3750 | | | | | | | | | | | | |
| ,, 9 | ,, Cash ..... | | | 5000 | | | | | | | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | | | | | | | | | | | | | |
| | First Call ..... | 25 | | 625 | | | | | | | | | | | | |
| Apl. 30 | ,, Share Cap.: | s. | | | | | | | | | | | | | | |
| | Second Call... | 25 | | 625 | | | | | | | | | | | | |
| | | | | £10000 | | | | £10000 | | | | | | | | |

## ALBERT BOWLER, 5 Queen's Row, Portsmouth, Shipowner.

| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & | s. | | | Jan. 4 | By Cash, Appl. | | 7500 | Jan. 7 | 8 | 3000 | 6501 | 9500 | | | 3000 |
| | Allotment..... | 150 | | 22500 | ,, 9 | ,, do. Allot. ... | | 15000 | | | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | | Feb. 28 | ,, do. 1st Call | | 3750 | | | | | | | | |
| | First Call ..... | 25 | | 3750 | Apl. 30 | ,, do. 2nd Call | | 3750 | | | | | | | | |
| Apl. 30 | ,, Share Cap.: | s. | | | | | | | | | | | | | | |
| | Second Call... | 25 | | 3750 | | | | | | | | | | | | |
| | | | | £30000 | | | | £30000 | | | | | | | | |

## CHARLES SPENCER, 9 Beever Road, Halifax, Accountant.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | | 1000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & | s. | | Jan. 4 | By Cash, Appl. | 2500 | Jan. 7 | 9 | 1000 | 9501 | 10500 | | |
| | Allotment..... | 150 | 7500 | ,, 9 | ,, do. Allot. | 5000 | | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call ..... | s. 25 | 1250 | Feb. 28 | ,, do. 1st Call | 1250 | | | | | | | |
| | | | | Apr. 30 | ,, do. 2nd Call | 1250 | | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call... | s. 25 | 1250 | | | | | | | | | | |
| | | | £10000 | | | £10000 | | | | | | | |

## EDWIN WILSON, 23 George Street, Halifax, Banker.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | | 5000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & | s. | | Jan. 4 | By Cash, Appl. | 25000 | Jan. 7 | 10 | 5000 | 10501 | 15500 | | |
| | | | | ,, 9 | ,, do. Allot. | 12500 | | | | | | | |
| | Allotment..... | 150 | 37500 | Feb. 28 | ,, do. 1st Call | 6250 | | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call ..... | s. 25 | 6250 | Apr. 30 | ,, do. 2nd Call | 6250 | | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call... | s. 25 | 6250 | | | | | | | | | | |
| | | | £50000 | | | £50000 | | | | | | | |

## ERNEST BAILEY, 7 Manor Drive, Bradford, Ironfounder.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | | 4500 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & | s. | | Jan. 4 | By Cash, Appl. | 12500 | Jan. 7 | 11 | 4500 | 15501 | 20000 | | |
| | | | | ,, 9 | ,, do. Allot. | 21250 | | | | | | | |
| | Allotment..... | 150 | 33750 | Feb. 28 | ,, do. 1st Call | 5625 | | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call ..... | s. 25 | 5625 | Apr. 30 | ,, do. 2nd Call | 5625 | | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call... | s. 25 | 5625 | | | | | | | | | | |
| | | | £45000 | | | £45000 | | | | | | | |

# NICOTINE, LIMITED. SHARE LEDGER (Preference).

JOHN HEAPS, 8 Bath Street, Batley, Merchant.

CASH ACCOUNT. SHARE ACCOUNT.

| Dr. Amount payable. | | | | | Cash paid. | | | Cr. | Shares acquired. | | | | | Shares Transferred. | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date. | Particulars. | Amount called for. | Fo. | Amount | Date. | Particulars. | Fo. | Amount | Date. | No. of Transfer or Allotment. | No. of Shares acquired. | Inclusive Numbers. From | Inclusive Numbers. To | Date. | Transfer No. | No. of Shares Transferred. | Inclusive Numbers. From | Inclusive Numbers. To | Balance of Shares. |
| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | | | | | |
| Jan. 7 | To Share Cap.: Application & | s. | | | Jan. 4 | By Cash, Appl. | | 2500 | Jan. 7 | 1 | 1000 | 1 | 1000 | | | | | 1000 |
| | Allotment..... | 150 | | 7500 | ,, 9 | ,, do. Allot. | | 5000 | | | | | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | | Feb. 28 | ,, do. 1st Call | | 1250 | | | | | | | | | | |
| | First Call..... | 25 | | 1250 | Apr. 30 | ,, do. 2nd Call | | 1250 | | | | | | | | | | |
| Apr. 30 | ,, Share Cap.: | s. | | | | | | | | | | | | | | | | |
| | Second Call... | 25 | | 1250 | | | | | | | | | | | | | | |
| | | | | £10000 | | | | £10000 | | | | | | | | | | |

GEORGE PARKER, Vernon Road, Leeds, Cashier.

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1914. | | | | £ | 1914. | | | £ | 1914. | | | | | | | | | |
| Jan. 7 | To Share Cap.: Application & | s. | | | Jan. 4 | By Cash, Appl. | | 1000 | Jan. 7 | 2 | 400 | 1001 | 1400 | | | | | 400 |
| | Allotment..... | 150 | | 3000 | ,, 9 | ,, do. Allot. | | 2000 | | | | | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | | Feb. 28 | ,, do. 1st Call | | 500 | | | | | | | | | | |
| | First Call..... | 25 | | 500 | Apr. 30 | ,, do. 2nd Call | | 500 | | | | | | | | | | |
| Apr. 30 | ,, Share Cap.: | s. | | | | | | | | | | | | | | | | |
| | Second Call... | 25 | | 500 | | | | | | | | | | | | | | |
| | | | | £4000 | | | | £4000 | | | | | | | | | | |

## DAVID EAVES, 1 Mount Street, Hull, Schoolmaster.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: | | | Jan. 4 | By Cash, Appl. | 2500 | Jan. 7 | 3 | 1000 | 1401 | 2400 | 1000 |
| | Application & | s. | | ,, 9 | ,, do. Allot. | 5000 | | | | | | |
| | Allotment..... | 150 | 7500 | Feb. 28 | ,, do. 1st Call | 1250 | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | Apr. 30 | ,, do. 2nd Call | 1250 | | | | | | |
| | First Call ..... | 25 | 1250 | | | | | | | | | |
| Apr. 30 | ,, Share Cap.: | s. | | | | | | | | | | |
| | Second Call... | 25 | 1250 | | | | | | | | | |
| | | | £10000 | | | £10000 | | | | | | |

## JOHN WHITEHEAD, 76 Portman Road, Bolton, Surveyor.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: | | | Jan. 4 | By Cash, Appl. | 5000 | Jan. 7 | 4 | 2000 | 2401 | 4400 | 2000 |
| | Application & | s. | | ,, 9 | ,, do. Allot. | 10000 | | | | | | |
| | Allotment..... | 150 | 15000 | Feb. 28 | ,, do. 1st Call | 2500 | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | Apr. 30 | ,, do. 2nd Call | 2500 | | | | | | |
| | First Call ..... | 25 | 2500 | | | | | | | | | |
| Apl. 30 | ,, Share Cap.: | s. | | | | | | | | | | |
| | Second Call... | 25 | 2500 | | | | | | | | | |
| | | | £20000 | | | £20000 | | | | | | |

459

## JOE SWIFT, Moor Lane, Sheffield, Engineer.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: | | | Jan. 4 | By Cash, Appl. | 1000 | Jan. 7 | 5 | 400 | 4401 | 4800 | |
| | Application & | s. | | ,, 9 | ,, do. Allot. | 2000 | | | | | | |
| | Allotment..... | 150 | 3000 | Nov. 3 | ,, Forfeited Shares A/c. | 1000 | | | | | | |
| Feb. 28 | ,, Share Cap.: | s. | | | | | | | | | | |
| | First Call ..... | 25 | 500 | | | | | | | | | |
| Apr. 30 | ,, Share Cap.: | s. | | | | | | | | | | |
| | Second Call... | 25 | 500 | | | | | | | | | |
| | | | £4000 | | | £4000 | | | | | | |

## GEORGE McADAM, Peel Place, Edinburgh, Solicitor.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment | s. 150 | 9000 | Jan. 4 | By Cash, Appl. | 3000 | Jan. 7 | 6 | 1200 | 4101 | 6000 | 1200 |
| | | | | ,, 9 | ,, do. Allot. | 6000 | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call | s. 25 | 1500 | Feb. 28 | ,, do. 1st Call | 1500 | | | | | | |
| | | | | Dec. 31 | ,, *Balance c/f.* | 1550 | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call | s. 25 | 1500 | | | | | | | | | |
| Dec. 31 | ,, Interest | | 50 | | | | | | | | | |
| | | | £12050 | | | £12050 | | | | | | |

## FRED HARRIS, Broadway, Bexley Heath, Book-keeper.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment | s. 150 | 37500 | Jan. 4 | By Cash, Appl. | 12500 | Jan. 7 | 7 | 5000 | 6001 | 11000 | 5000 |
| | | | | ,, 9 | ,, do. Allot. | 25000 | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call | s. 25 | 6250 | Feb. 28 | ,, do. 1st Call | 6250 | | | | | | |
| | | | | Apr. 30 | ,, do. 2nd Call | 6250 | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call | s. 25 | 6250 | | | | | | | | | |
| | | | £50000 | | | £50000 | | | | | | |

## ALBERT BOWLER, 5 Queen's Row, Portsmouth, Shipowner.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment | s. 150 | 18750 | Jan. 4 | By Cash, Appl. | 6250 | Jan. 7 | 8 | 2500 | 11001 | 13500 | 2500 |
| | | | | ,, 9 | ,, do. Allot. | 12500 | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call | s. 25 | 3125 | Feb. 28 | ,, do. 1st Call | 3125 | | | | | | |
| | | | | Apr. 30 | ,, do. 2nd Call | 3125 | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call | s. 25 | 3125 | | | | | | | | | |
| | | | £25000 | | | £25000 | | | | | | |

## CHARLES SPENCER, 9 Beever Road, Halifax, Accountant.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment | s. 150 | 11250 | Jan. 4 | By Cash, Appl. | 3750 | Jan. 7 | 9 | 1500 | 13501 | 15000 | | 1500 |
| | | | | ,, 9 | ,, do. Allot. | 7500 | | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call | s. 25 | 1875 | Feb. 28 | ,, do. 1st Call | 1875 | | | | | | | |
| | | | | Apr. 30 | ,, do. 2nd Call | 1875 | | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call | s. 25 | 1875 | | | | | | | | | | |
| | | | £15000 | | | £15000 | | | | | | | |

## EDWIN WILSON, 23 George Street, Halifax, Banker.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment | s. 150 | 15000 | Jan. 4 | By Cash, Appl. | 12500 | Jan. 7 | 10 | 2000 | 15001 | 17000 | | 2000 |
| | | | | ,, 9 | ,, do. Allot. | 2500 | | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call | s. 25 | 2500 | Feb. 28 | ,, do. 1st Call | 2500 | | | | | | | |
| | | | | Apr. 30 | ,, do. 2nd Call | 2500 | | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call | s. 25 | 2500 | | | | | | | | | | |
| | | | £20000 | | | £20000 | | | | | | | |

## ERNEST BAILEY, 5 Manor Drive, Bradford, Ironfounder.

| 1914. | | | £ | 1914. | | £ | 1914. | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan. 7 | To Share Cap.: Application & Allotment | s. 150 | 22500 | Jan. 4 | By Cash, Appl. | 15000 | Jan. | 11 | 3000 | 17001 | 20000 | | 3000 |
| | | | | ,, 9 | ,, do. Allot. | 7500 | | | | | | | |
| Feb. 28 | ,, Share Cap.: First Call | s. 25 | 3750 | Feb. 28 | ,, do. 1st Call | 3750 | | | | | | | |
| | | | | Apr. 30 | ,, do. 2nd Call | 3750 | | | | | | | |
| Apr. 30 | ,, Share Cap.: Second Call | s. 25 | 3750 | | | | | | | | | | |
| | | | £30000 | | | £30000 | | | | | | | |

# NICOTINE, LIMITED. IMPERSONAL LEDGER.

## Dr. Preference Share Capital A/c. Cr.

| 1914. | | £ | 1914. | | £ |
|---|---|---|---|---|---|
| Nov. 30 | To Forfeited Shares A/c.: 400 Shares numbered 4401 to 4800 | 4,000 | Jan. 7 | By Application and Allotment: 20,000 Shares £2 10s. 0d. on application, £5 on allotment | 150,000 |
| Dec. 31 | ,, *Balance* ..... *c/d.* | 196,000 | Feb. 28 | ,, First Call £1 5s. 0d. per Share | 25,000 |
| | | | Apr. 30 | ,, Second Call £1 5s. 0d. per Share | 25,000 |
| | | £200,000 | | | £200,000 |
| | | | 1915. | | |
| | | | Jan. 1 | By Balance ..... b/d. | 196,000 |

## Dr. Ordinary Share Capital A/c. Cr.

| 1914. | | £ | 1914. | | £ |
|---|---|---|---|---|---|
| Nov. 30 | To Forfeited Shares A/c.: 500 Shares numbered 4901 to 5400 | 5,000 | Jan. 7 | By Application and Allotment: 20,000 Shares £2 10s. 0d. on application, £5 on allotment | 150,000 |
| Dec. 31 | ,, *Balance* ..... *c/d.* | 195,000 | Feb. 23 | ,, First Call £1 5s. 0d. per Share | 25,000 |
| | | | Apr. 30 | ,, Second Call £1 5s. 0d. per Share | 25,000 |
| | | £200,000 | | | £200,000 |
| | | | 1915. | | |
| | | | Jan. 1 | By Balance ..... b/d. | 195,000 |

## Dr. Deferred Share Capital A/c. Cr.

| 1914. | | £ | 1914. | | £ |
|---|---|---|---|---|---|
| Dec. 31 | *To Balance* ..... *c/d.* | 100,000 | Jan. 7 | By W. Nicotine (Purchase A/c.) | 100,000 |
| | | £100,000 | | | £100,000 |
| | | | 1915. | | |
| | | | Jan. 1 | By Balance ..... b/d. | 100,000 |

## Dr. 4% Debenture Stock A/c. Cr.

| 1914. | | £ | 1914. | | £ |
|---|---|---|---|---|---|
| Dec. 31 | *To Balance* ..... *c/d.* | 50,000 | Jan. 7 | By Beckett & Co. | 50,000 |
| | | £50,000 | | | £50,000 |
| | | | 1915. | | |
| | | | Jan. 1 | By Balance ..... b/d. | 50,000 |

**Dr.** **Walter Nicotine (Purchase A/c.)** **Cr.**

| 1914. | | £ | s. | d. | 1914. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Jan. 1 | To Sundry Creditors A/cs. transferred to Nicotine, Limited | 233,000 | - | - | Jan. 1 | By Sundry Accounts, being Assets acquired by Nicotine, Limited | 500,000 | - | - |
| ,, 7 | ,, Deferred Share Capital A/c., 10,000 £10 Shares allotted as fully paid this day | 100,000 | - | - | Apr. 30 | ,, Interest on balance of Purchase Money: £167,000 at £5% for 4 months | 2,783 | 6 | 8 |
| Apr. 30 | ,, Bank | 169,783 | 6 | 8 | | | | | |
| | | £ 502,783 | 6 | 8 | | | £ 502,783 | 6 | 8 |

**Dr.** **Forfeited Shares A/c.** **Cr.**

| 1914. | | £ | 1914. | | £ |
|---|---|---|---|---|---|
| Nov. 30 | To Joe Swift: Balance unpaid on 400 Preference and 500 Ordinary Shares | 2250 | Nov. 30 | By Preference Share Capital A/c., being 400 Shares numbered 4401 to 4800 | 4000 |
| Dec. 31 | ,, *Balance* ..... *c/d* | 6750 | | ,, Ordinary Share Capital A/c., being 500 Shares numbered 4901 to 5400 | 5000 |
| | | £9000 | | | £9000 |
| | | | 1915. Jan. 1 | By Balance ..... b/d. | 6750 |

## REGISTER OF MORTGAGES.

| Date of Charge. | Name and Address of Mortgagee | Short Particulars of Property Charged. | Amount of Charge. | Remark |
|---|---|---|---|---|
| | | | | |

**NICOTINE, LIMITED,** 31st December, 1914.

| Trial Balance of Model Company Exercise. | Totals. | | Balances. | |
|---|---|---|---|---|
| | Dr. | Cr. | Dr. | Cr. |
| Preference Share Cap. A/c. | 4,000 | 200,000 | | 196,000 |
| Ordinary Share Cap. A/c. | 5,000 | 200,000 | | 195,000 |
| Deferred Share Cap. A/c. | | 100,000 | | 100,000 |
| Debenture Stock A/c. | | 50,000 | | 50,000 |
| Debenture Premium A/c. | | 1,000 | | 1,000 |
| Bank | 831,600/2/6 | 568,277/12/6 | 263,322/10/- | |
| W. Nicotine (Purchase A/c.) | 502,783/6/8 | 502,783/6/8 | | |
| Freehold Tobacco Factory | 2,000 | | 2,000 | |
| Leasehold Tobacco Factory | 6,000 | | 6,000 | |
| Machinery, Fixtures & Plant | 70,000 | | 70,000 | |
| Trading A/c. (Stock) | 210,000 | | 210,000 | |
| Goodwill A/c. | 122,000 | | 122,000 | |
| Purchases A/c. | 250,000 | | 250,000 | |
| Sales A/c. | | 400,000 | | 400,000 |
| Income Tax Collector | | 100 | | 100 |
| Sundry Debtors | 490,000 | 383,600 | 106,400 | |
| Sundry Creditors | 356,750 | 483,000 | | 126,250 |
| Calls in Arrear | 2,325 | | 2,325 | |
| Forfeited Shares A/c. | 2,250 | 9,000 | | 6,750 |
| Interest A/c. (Vendor) | 2,783/6/8 | | 2,783/6/8 | |
| Interest on Debentures A/c. | 2,000 | | 2,000 | |
| Interest on Calls in Advance | 14/5/10 | | 14/5/10 | |
| Interest on Calls in Arrear | | 75 | | 75 |
| Discount A/c. | 3,000 | 1,750 | 1,250 | |
| Bad Debts A/c. | 600 | | 600 | |
| Preliminary Expenses A/c. | 5,000 | | 5,000 | |
| Registration Fee A/c. | | /2/6 | | /2/6 |
| Dividend A/c. | 14,980 | 14,980 | | |
| Rents A/c. | | 100 | | 100 |
| Directors' Fees A/c. | 1,000 | | 1,000 | |
| Wages A/c. | 6,000 | | 6,000 | |
| Carriage A/c. | 1,500 | | 1,500 | |
| Packing Materials A/c. | 2,000 | | 2,000 | |
| Salaries A/c. | 2,000 | | 2,000 | |
| Trade Expenses A/c. | 450 | | 450 | |
| Office Expenses A/c. | 500 | | 500 | |
| Repairs A/c. | 1,200 | | 1,200 | |
| Insurance A/c. | 350 | | 350 | |
| Rates and Taxes A/c. | 400 | | 400 | |
| Gas, Fuel, &c., A/c. | 500 | | 500 | |
| Law Charges A/c. | 700 | | 700 | |
| P. & L. (Appropriation A/c.) | 14,980 | | 14,980 | |
| £ | 2,914,666/1/8 | 2,914,666/1/8 | 1,075,275/2/6 | 1,075,275/2/6 |

# NICOTINE, LIMITED. Application and Allotment Book.

## PREFERENCE SHARES (*Posted to Preference Share Ledger*).

| No. of Application. | Name. | Address. | Description. | No. of Shares applied for. | Amount of Deposit. | Cash Book folio. | No. of Shares allotted. | Distinctive Numbers of Shares allotted. From | To | Amount due on Allotment. | Cash Received. | Cash Book folio. | Cash Returned. | Cash Book folio. | Calls paid in advance. | Balance payable on Shares. | Share Ledger folio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | £ | | | | | £ | £ | | £ | | £ | £ | |
| 1 | Heaps, John ..... | 8 Bath Street, Batley ..... | Merchant ... | 1000 | 2500 | 1 | 1000 | 1 | 1000 | 5000 | 5000 | | | | | 2500 | |
| 2 | Parker, George... | Vernon Road, Leeds ..... | Cashier ..... | 400 | 1000 | 1 | 400 | 1001 | 1400 | 2000 | 2000 | | | | | 1000 | |
| 3 | Eaves, David ... | 1 Mount Street, Hull ..... | Schoolmast'r | 1000 | 2500 | 1 | 1000 | 1401 | 2400 | 5000 | 5000 | | | | | 2500 | |
| 4 | Whitehead, John | 76 Portman Road, Bolton | Surveyor..... | 2000 | 5000 | 1 | 2000 | 2401 | 4400 | 10000 | 10000 | | | | | 5000 | |
| 5 | Swift, Joe ..... | Moor Lane, Sheffield..... | Engineer ... | 400 | 1000 | 1 | 400 | 4401 | 4800 | 2000 | 2000 | | | | | 1000 | |
| 6 | McAdam, George | Peel Place, Edinburgh .... | Solicitor..... | 1200 | 3000 | 1 | 1200 | 4801 | 6000 | 6000 | 6000 | | | | | 3000 | |
| 7 | Harris, Fred ..... | Broadway, Bexley Heath | Book-keeper | 5000 | 12500 | 1 | 5000 | 6001 | 11000 | 25000 | 25000 | | | | | 12500 | |
| 8 | Bowler, Albert ... | 5 Queen's Row, Portsm'h | Shipowner... | 2500 | 6250 | 1 | 2500 | 11001 | 13500 | 12500 | 12500 | | | | | 6250 | |
| 9 | Spencer, Charles | 9 Beever Road, Halifax | Accountant .. | 1500 | 3750 | 1 | 1500 | 13501 | 15000 | 7500 | 7500 | | | | | 3750 | |
| 10 | Wilson, Edwin... | 23 George Street, Halifax | Banker ..... | 5000 | 12500 | 1 | 2000 | 15001 | 17000 | 2500 | 2500 | | | | | 5000 | |
| 11 | Bailey, Ernest ... | 7 Manor Drive, Bradford | IronFounder. | 6000 | 15000 | 1 | 3000 | 17001 | 20000 | 7500 | 7500 | | | | | 7500 | |

## ORDINARY SHARES (*Posted to Ordinary Share Ledger*).

| | | | | | £ | | | | | £ | £ | | £ | | £ | £ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Heaps, John ..... | 8 Bath Street, Batley ..... | Merchant ... | 500 | 1250 | 1 | 500 | 1 | 500 | 2500 | 2500 | | | | | 1250 | |
| 2 | Parker, George... | Vernon Road, Leeds ..... | Cashier ..... | 200 | 500 | 1 | 200 | 501 | 700 | 1000 | 1000 | | | | | 500 | |
| 3 | Eaves, David ... | 1 Mount Street, Hull ..... | Schoolmast'r | 2000 | 5000 | 1 | 2000 | 701 | 2700 | 10000 | 10000 | | | | | 5000 | |
| 4 | Whitehead, John | 76 Portman Road, Bolton | Surveyor ... | 2500 | 6250 | 1 | 2200 | 2701 | 4900 | 10250 | 10250 | | | | | 5500 | |
| 5 | Swift, Joe ..... | Moor Lane, Sheffield..... | Engineer ... | 500 | 1250 | 1 | 500 | 4901 | 5400 | 2500 | 2500 | | | | | 1250 | |
| 6 | McAdam, George | Peel Place, Edinburgh ... | Solicitor..... | 600 | 1500 | 1 | 600 | 5401 | 6000 | 3000 | 3000 | | | | | 1500 | |
| 7 | Harris, Fred ..... | Broadway, Bexley Heath | Book-keeper | 4000 | 10000 | 1 | 500 | 6001 | 6500 | ... | ... | | 5000 | | 1250 | ... | |
| 8 | Bowler, Albert ... | 5 Queen's Row, Portsm'h | Shipowner... | 3000 | 7500 | 1 | 3000 | 6501 | 9500 | 15000 | 15000 | | | | | 7500 | |
| 9 | Spencer, Charles | 9 Beever Road, Halifax... | Accountant .. | 1000 | 2500 | 1 | 1000 | 9501 | 10500 | 5000 | 5000 | | | | | 2500 | |
| 10 | Wilson, Edwin... | 23 George Street, Halifax | Banker ..... | 10000 | 25000 | 1 | 5000 | 10501 | 15500 | 12500 | 12500 | | | | | 12500 | |
| 11 | Bailey, Ernest ... | 7 Manor Drive, Bradford | IronFounder. | 5000 | 12500 | 1 | 4500 | 15501 | 20000 | 21250 | 21250 | | | | | 11250 | |

## (DEBENTURES).

| | | | | | £ | | | | | £ | £ | | £ | | £ | £ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Beckett & Co. ... | Park Row, Leeds ..... | Bankers ..... | | 2500 | 1 | | | | 48500 | 48500 | | | | | | |

**Dr.** **CASH**

| 1914. | | Pref. | Ordy. | Bank. |
|---|---|---|---|---|
| Jan. 4. | To J.Heaps(*Application*) | £2500 .. | £1250 .. | £3750 - - |
| | „ George Parker .... | 1000 .. | 500 .. | 1500 - - |
| | „ David Eaves..... | 2500 .. | 5000 .. | 7500 - - |
| | „ John Whitehead .. | 5000 .. | 6250 .. | 11250 - - |
| | „ Joe Swift..... | 1000 .. | 1250 .. | 2250 - - |
| | „ George McAdam .. | 3000 .. | 1500 .. | 4500 - - |
| | „ Fred Harris ..... | 12500 .. | 10000 .. | 22500 - - |
| | „ Albert Bowler .... | 6250 .. | 7500 .. | 13750 - - |
| | „ Charles Spencer ... | 3750 .. | 2500 .. | 6250 - - |
| | „ Edwin Wilson .... | 12500 .. | 25000 .. | 37500 - - |
| | „ Ernest Bailey .... | 15000 .. | 12500 .. | 27500 - - |
| | „ Beckett & Co. .... | | | 2500 - - |
| „ 9. | „ J.Heaps(*Allotment*) | 5000 .. | 2500 .. | 7500 - - |
| | „ George Parker .... | 2000 .. | 1000 .. | 3000 - - |
| | „ David Eaves..... | 5000 .. | 10000 .. | 15000 - - |
| | „ John Whitehead .. | 10000 .. | 10250 .. | 20250 - - |
| | „ Joe Swift..... | 2000 .. | 2500 .. | 4500 - - |
| | „ George McAdam .. | 6000 .. | 3000 .. | 9000 - - |
| | „ Fred Harris ..... | 25000 .. | .. | 25000 - - |
| | „ Albert Bowler .... | 12500 .. | 15000 .. | 27500 - - |
| | „ Charles Spencer .. | 7500 .. | 5000 .. | 12500 - - |
| | „ Edwin Wilson .... | 2500 .. | 12500 .. | 15000 - - |
| | „ Ernest Bailey .... | 7500 .. | 21250 .. | 28750 - - |
| | „ Beckett & Co. .... | | | 48500 - - |
| Feb.28. | „ J. Heaps (1*st Call*). | 1250 .. | 625 .. | 1875 - - |
| | „ George Parker .... | 500 .. | 250 .. | 750 - - |
| | „ David Eaves..... | 1250 .. | 2500 .. | 3750 - - |
| | „ John Whitehead .. | 2500 .. | 2750 .. | 5250 - - |
| | „ George McAdam .. | 1500 .. | 750 .. | 2250 - - |
| | „ Fred Harris ..... | 6250 .. | .. | 6250 - - |
| | „ Albert Bowler..... | 3125 .. | 3750 .. | 6875 - - |
| | „ Charles Spencer .. | 1875 .. | 1250 .. | 3125 - - |
| | „ Edwin Wilson .... | 2500 .. | 6250 .. | 8750 - - |
| | „ Ernest Bailey .... | 3750 .. | 5625 .. | 9375 - - |
| Apl. 30. | „ J. Heaps (2*nd Call*) | 1250 .. | 625 .. | 1875 - - |
| | „ George Parker .... | 500 .. | 250 .. | 750 - - |
| | „ David Eaves..... | 1250 .. | 2500 .. | 3750 - - |
| | „ John Whitehead .. | 2500 .. | 2750 .. | 5250 - - |
| | „ Fred Harris ..... | 6250 .. | .. | 6250 - - |
| | „ Albert Bowler .... | 3125 .. | 3750 .. | 6875 - - |
| | „ Charles Spencer .. | 1875 .. | 1250 .. | 3125 - - |
| | „ Edwin Wilson .... | 2500 .. | 6250 .. | 8750 - - |
| | „ Ernest Bailey .... | 3750 .. | 5625 .. | 9375 - - |
| May 2. | „ Registration Fee .. | *Post above to* | .. | 2 6 |
| Dec.31. | „ Sundry Debtors .. | *Share Ledger.* | | 380000 - - |
| „ 31. | „ Sundry Rents .... | | | 100 - - |
| | | | | £831600 2 6 |

**BOOK.** **Cr.**

| 1914. | | | Bank. | | |
|---|---|---|---|---|---|
| Jan. 9. | By F. Harris (Application money retd.) | | £5000 | - | - |
| Apl 30. | ,, Interest A/c. (Fred Harris for interest at the rate of 5% per ann. on £625, being cash paid in advance from Jan. 6 to Feb. 28, 53 days=£4 10 9; and from Jan. 6 to April 30, 114 days=£9 15 1; the former sum being the interest due up to the date of first call, and the latter sum being the interest due up to the date of the second call) | | 14 | 5 | 10 |
| | ,, Walter Nicotine (Purchase A/c.) | | 169783 | 6 | 8 |
| | ,, Preliminary Expenses A/c. | | 5000 | - | - |
| June30 | ,, Int. A/c. (½ yrs. on Debenture) less tax | | 950 | - | - |
| | ,, Dividend A/c. Int. Div. on Pref. Shs. | | 4655 | - | - |
| | ,, Ditto Ordy. ,, | | 6825 | - | - |
| | ,, Ditto Defd. ,, | | 3500 | - | - |
| Dec. 30. | ,, Int. A/c. (½ yrs. on Debentures) less tax | | 950 | - | - |
| | ,, Sundry Creditors | | 355000 | - | - |
| | ,, Directors' Fees | | 1000 | - | - |
| | ,, Wages | | 6000 | - | - |
| | ,, Carriage | | 1500 | - | - |
| | ,, Packing Materials | | 2000 | - | - |
| | ,, Salaries | | 2000 | - | - |
| | ,, Sundry Trade Expenses | | 450 | - | - |
| | ,, Office Expenses | | 500 | - | - |
| | ,, Repairs | | 1200 | - | - |
| | ,, Insurance | | 350 | - | - |
| | ,, Rates and Taxes | | 400 | - | - |
| | ,, Gas, Fuel, &c. | | 500 | - | - |
| | ,, Law Charges | | 700 | - | - |
| | ,, *Balance* | *c/f.* | 263322 | 10 | - |
| | | | £831600 | 2 | 6 |

## NICOTINE, LIMITED.

**Dr. Trading A/c.** for the year ended 31st December, 1914. **Cr.**

| | £ | £ | | £ |
|---|---|---|---|---|
| To Stock, 1st January, 1914 | 210000 | | By Sales | 400000 |
| „ Purchases | 250000 | | „ STOCK, 31st December | 150000 |
| | | 460000 | | |
| „ Carriage | 1500 | | | |
| „ Packing Materials | 2000 | | | |
| „ Wages | 6000 | | | |
| | | 9500 | | |
| „ **Gross Profit** *carried to Profit and Loss A/c.* | | 80500 | | |
| | | £550000 | | £550000 |

## Profit & Loss A/c.

**Dr.** for the year ended 31st December, 1914. **Cr.**

| | £ | £ | | £ |
|---|---|---|---|---|
| To Salaries | | 2000 | By Gross Profit from Trading A/c. | 80500 |
| „ Trade Expenses | | 450 | „ Discount | 1750 |
| „ Office Expenses | | 500 | | |
| „ Repairs | | 1200 | | |
| „ Insurance | | 350 | | |
| „ Rates and Taxes | | 400 | | |
| „ Gas, Fuel, &c. | | 500 | | |
| „ Law Charges | | 700 | | |
| „ Discounts | £3000 | | | |
| „ Bad Debts | 600 | | | |
| „ Reserve for Doubtful Debts and Discount | 1596 | | | |
| | | 5196 | | |
| „ Depreciation | | 15900 | | |
| „ *BALANCE carried down* | | 55054 | | |
| | | £82250 | | £82250 |

| | £ s. d. | £ s. d. | | £ s. d. |
|---|---|---|---|---|
| To Int. on Debentures | 2000 – – | | By Balance brought down | 55054 – – |
| „ Int. paid Vendor | 2783 6 8 | | „ Interest on Calls in arrear | 75 – – |
| „ Int. on Calls paid in advance | 14 5 10 | | „ Rents received | 100 – – |
| | | 4797 12 6 | „ Registration Fee | – 2 6 |
| „ Inc. Tax on Profits | 3406 5 – | | | |
| *Less* Tax on Deb. Int. | 100 – – | | | |
| | | 3306 5 – | | |
| „ Directors' Fees | | 1000 – – | | |
| „ **Net Profit** *carried to Appropriation A/c.* | | 46125 5 – | | |
| | | £55229 2 6 | | £55229 2 6 |

## Dr. Appropriation of Profit A/c. Cr.

| | £ s. | | £ s. |
|---|---|---|---|
| To Interim Dividends paid :— | | By Net Profit from P. & L. A/c. | 46125 5 |
| 2½% on £196000 Pref. Shares. £4900 | | | |
| *Less* Tax | 245 | | |
| | 4655 - | | |
| 3½% on £195000 Ordy. Shares | 6825 - | | |
| 3½% on £100000 Defd. Shares | 3500 - | | |
| ,, Further dividend proposed : | | | |
| 2½% on £196000 Pref. Shares. £4900 | | | |
| *Less* Tax | 245 | | |
| | 4655 - | | |
| 6½% on £195000 Ordy. Shares | 12675 - | | |
| 6½% on £100000 Defd. Shares | 6500 - | | |
| Prelim. Exs. extinguished ... | 4000 - | | |
| ,, Reserve Fund ..... | 3000 - | | |
| ,, *Balance carried forward*..... | 315 5 | | |
| | £46125 5 | | £46125 5 |

## BALANCE SHEET of NICOTINE, LIMITED,

Made up to the 31st December, 1914.

| Capital and Liabilities. | £ s. | Property and Assets. | £ s. |
|---|---|---|---|
| **Nominal** or **Registered Capital**, viz. :— | | **Immovable Property.** | |
| 20000 5% Pref. Shares of £10 each | 200000 - | Freehold Tobacco Factory ..... 2000 | |
| 20000 7% Ordy. Shares of £10 each | 200000 - | *Less* Depreciation 2½% 50 | 1950 - |
| 10000 Deferred Shares of £10 each | 100000 - | Leasehold Tobacco Factory ..... 6000 | |
| 50000 | £500000 - | *Less* Depreciation 2½% 150 | 5850 - |
| **Subscribed** and **paid-up Capital**, viz.: | | **Movable Property.** | |
| 20000 5% Pref. Shares ..... £200000 - | | Machinery, Fixtures, &c. ..... 70000 | |
| *Deduct* 400 Shares forfeited 4000 - | | *Less* Depreciation 5% 3500 | 66500 - |
| £196000 - | | Stock-in-Trade ..... | 150000 - |
| *Deduct* Calls in arrear ..... 1500 - | | **Debts.** | |
| 194500 - | | Sundry Debtors..... 106400 | |
| 20000 7% Ordy. Shares .....200000 - | | *Less* Reserve for Doubtful Debts and Discount 1½% ..... 1596 | 104804 - |
| *Deduct* 500 Shares forfeited 5000 - | | Interest on Calls in Arrear ..... | 75 - |
| £195000 - | | **Cash** at Bank ..... | 263322 10 |
| *Deduct* Calls in arrear ..... 750 - | | Goodwill A/c. ..... 122000 | |
| 194250 - | | *Less* Depreciation 10% 12200 | 109800 - |
| 10000 Defd. Shares, fully paid | 100000 - | Preliminary Expenses A/c. ..... 5000 | |
| **Mortgage Debenture Stock**, 4% | 50000 - | *Less* Debenture Premium A/c. transferred 1000 | 4000 - |
| **Reserves**:— | | | |
| Forfeited Shares A/c. ... | 6750 - | | |
| **Liabilities**:— | | | |
| Sundry Creditors ..... | 126250 - | | |
| Income Tax ..... | 3406 5 | | |
| **Profit & Loss A/c.**, Balance ... 46125 5 | | | |
| *Less* Interim Dividends paid on :— | | | |
| Preference Shares £4655 | | | |
| Ordinary Shares... 6825 | | | |
| Deferred Shares ... 3500 | | | |
| 14980 - | | | |
| 31145 5 | | | |
| £706301 10 | | | £706301 10 |

**399. INCREASE of CAPITAL.** A company limited by shares may, if authorised by its Articles, increase its nominal capital by the issue of new shares of such amount as it thinks expedient. Where a Company has power in its Articles to increase its capital without a special resolution it is unnecessary to do more than pass an ordinary resolution ; but in any case **notice** must be given to the Registrar of Companies within **15 days** after the date of passing the ordinary resolution or confirming the special resolution. If the original Articles do not authorise such an increase they should first be altered by a special resolution, and then the increase can be made in accordance with the terms of the special resolution, but the operation is not invalid if the two acts are done by a single special resolution. At one time when fresh capital was required for a company whose affairs were not in a flourishing condition, it was common to **issue new shares** at a **discount ;** that is to say, a share credited as fully paid was issued in consideration of the payment of a less sum than the nominal amount of the share. It has, however, been decided by the House of Lords that this cannot be done, and a shareholder taking shares upon those terms is, in the event of a winding up, liable to pay the balance unpaid, notwithstanding any contract made with the company. Shares may, however, be offered at a **premium,** which should be carried to the credit of the Reserve Fund, although there is no absolute rule that this should be done. It is not uncommon, when an additional issue of shares is made, to secure the success of the issue by getting it **underwritten.** The **records** to be made in the books on the increase of capital are similar to those made on the issue of capital in a new company, as shown in the Model Exercise.

**400. BONUS SHARES.** It is sometimes the good fortune of a Company to experience a succession of prosperous years, the profits enabling the directors not only to pay a continuously increasing dividend, but also to build up a large General Reserve. While it may be advisable to retain a portion of the amount represented

by the Reserve as Working Capital, there is no reason why the shareholders should not apply a part of the **Reserve** to the **issue** of free or **Bonus Shares,** and thus reap the special advantage offered by the capitalisation of the Reserve. The market price of the shares of such a Company will generally be at a premium, and it will be for the shareholders to decide whether the Bonus Shares to be **issued** shall be **at par** or at a **premium.** If **at par,** the **Journal entries** would be as shown below, where the Capital was £500,000 in £1 Shares, and it was decided to distribute a bonus of 25% out of the Reserve by the issue of one fully paid Share for each four Shares held.

| | | | |
|---|---|---|---|
| General Reserve A/c. ..... | Dr. | £125000 | |
| To Bonus A/c. ..... | | | £125000 |
| Being Bonus of 25% payable out of the General Reserve A/c. in fully paid Shares as per Resolution of Shareholders dated 18th December, 1914. | | | |
| Bonus A/c. ..... | Dr | £125000 | |
| To Ordinary Share Capital A/c. .... | | | £125000 |
| Being issue of 125000 Shares of £1 each fully paid in payment of Bonus at the rate of one Share for every four held. | | | |

**401.** In view of the fact, however, that such an **increase** of **Capital** would necessitate the payment of a **dividend** on £625,000, instead of on £500,000, it would not generally be considered sound finance to issue such free Shares at par, for unless the net profits continued to increase it might prove disadvantageous to the Company, as well as subsequent shareholders. It would, therefore, be more prudent to **issue** the **Shares** at a **premium,** thereby retaining in the business, as working capital, the amount of the bonus represented by the premium, upon which no dividends would, of course, be required to be paid. For **example,** where a Company with a Capital of £500,000, in fully paid £1 Shares, the market price of which was £3, decide to distribute a Bonus out of the Reserve at the rate of 25%, payable in fully paid-up Shares, at a premium of £1, the record in the **Journal** would be as follows :—

| | | | |
|---|---|---|---|
| General Reserve A/c. .....Dr. | | £125000 | |
| To Bonus A/c. ..... | | | £125000 |
| Being Bonus at the rate of 25% on 500000 Shares of £1 each, as per Resolution dated 18th December, 1914. | | | |
| Bonus A/c. .....Dr. | | £125000 | |
| To Ordinary Share Capital A/c. .... | | | £62500 |
| „ Share Premium A/c. ..... | | | £62500 |
| Being payment of Bonus on the issue of 62500 Shares of £1 each, fully paid, at a premium of £1 per Share, as per Resolution dated 18th December, 1914. | | | |

**402.** When the Share **Capital** of a successful company is **not fully paid** it would be a wise policy for the directors to make a **Call** and to recommend the shareholders to **apply** the **Bonus** in **discharge** of the **Call.** Presuming that a company, with a Nominal Capital of £50,000, in £1 Shares, 17/6 paid, declare a bonus of 12½% on the Nominal Capital, with the object of making the Shares fully paid, the record in the **Journal** would be as follows :—

| | | | |
|---|---|---|---|
| Final Call A/c. .....Dr. | | £6250 | |
| To Ordinary Share Capital A/c. .... | | | £6250 |
| Being a Call of 2/6 per share on 50000 shares, as per Resolution of the Directors, dated 18th December, 1914. | | | |
| General Reserve A/c. .....Dr. | | £6250 | |
| To Bonus A/c. ..... | | | £6250 |
| Being Bonus of 2/6 per share on 50000 shares payable out of the Reserve A/c. as per Resolution, dated 18th December, 1914. | | | |
| Bonus A/c. .....Dr | | £6250 | |
| To Final Call A/c. ..... | | | £6250 |
| Being application of Bonus of 2/6 per share on 50000 shares to payment of Call, as per Resolution, dated 18th December, 1914. | | | |

**403. REDUCTION of CAPITAL.** A company limited by shares may, by special resolution, reduce its capital specified in the Memorandum, if authorised to do so by its regulations as originally framed, or as altered by special resolution ; but the resolution authorising the

reduction does not come into effect until the reduction is **confirmed** by the **Court** and **registered.** After the date of the passing of the resolution the company must add the words *and Reduced* to its name until such date as the Court may fix. The addition of these words to the name of the Company acts as a warning to the public of its financial position. But where the reduction does not involve the diminution of any liability in respect of unpaid capital, or the payment to the shareholders of any paid up capital, the Court may dispense with the words *and Reduced*. The Capital may be reduced in various ways :—(**1**) By reducing the Shareholders' liability by writing off uncalled capital ; (**2**) By cancelling lost capital ; (**3**) By paying back capital in excess of the wants of the company ; (**4**) By cancelling shares which have never been issued ; (**5**) By returning accumulated profits in reduction of paid capital. In the two latter cases the sanction of the Court is not required. The principal occasion for the reduction of capital arises in connection with the **writing off** of ascertained **losses, i.e.**, a debit of the Profit & Loss A/c. For **example,** suppose there is a debit of £50,000 in the Profit & Loss A/c., brought about by losses over a series of years, it may be considered necessary to reduce the capital, in which case the Share Capital A/c. would be debited and the Profit & Loss A/c. credited thus :—

*Share Capital A/c. Dr.*
*To Profit & Loss A/c.*

(Being in reduction of the Capital of the Company as per Resolution of the shareholders passed at a general meeting held on the 26th June, 1914, and confirmed by the Court under Order dated 26th July, 1914, sanctioning a reduction of £50,000 on the share capital.)

A similar entry would be required where it was decided to cancel or reduce any particular property appearing among the assets, such as Patents or Goodwill, when the Share Capital would be *debited* and the particular Property a/c. *credited*. The **alteration** in the **Share Ledger** may be carried out by marking each page with coloured ink or using a rubber stamp briefly stating the resolution.

**404. RECONSTRUCTION** is a term usually applied to a scheme for the purpose of re-organising a Joint Stock Company, by the **winding up** of the *old* company and the **creation** of a *new* company, specially incorporated for the purpose. The **objects** of a reconstruction are usually, (**1**) to raise fresh capital by issuing partly paid shares in the new company, in exchange for fully paid shares in the old company, and calling up the balance on the new shares as and when required : (**2**) for amalgamating two or more companies ; (**3**) for taking new powers in the Memorandum or changing the domicile of the company ; (**4**) for re-arranging the capital of the old company, and the rights of the shareholders between themselves ; (**5**) for effecting compromises with creditors by inducing them to take shares or debentures in settlement of their claims ; (**6**) for giving to members two or more shares for every share already held by them in the case of prosperous companies.

**405.** If any **shareholder** who has not voted for the special resolution at either of the meetings expresses his **dissent** from the resolution *in writing*, not later than *seven days* after the date of holding the confirmatory meeting, he may require the liquidator either not to carry out the scheme, or to **purchase his interest** at a price which, if not settled by agreement, must be determined by arbitration. The greatest difficulty, therefore, in a reconstruction is often that of finding money to pay out dissentient shareholders, where the shares of the new company are not marketable. There is, however, no way of avoiding the obligation to pay out such dissentient members, as they **cannot** be **compelled** to **take shares** in the **new company.** Sometimes, with a view to raise more money, an arrangement is made for holders of fully paid shares in the old company to accept shares which are not fully paid in the new, with the result of generally increasing the number of dissentient shareholders. A shareholder who has not dissented cannot, however, be compelled to **take shares having** a **liability,** and if he refuses the new shares he loses all interest in the company, and is not liable for

any calls on the new shares. In a case where there is a liability on the new shares, a **time** should be **fixed** within which shareholders must **elect** whether they will take the new shares, and any not taken up will then be at the disposal of the old company or its liquidator; or the scheme may provide that the shares not taken up shall be at the disposal of the new company, or that the consideration shall be reduced by the amount of the shares unapplied for after the expiration of the period named; but the new company and the liquidator have no power to issue the partly paid shares to members of the old company who have failed to apply in time. Reasonable time must be given, and it must extend to a date beyond the registration of the new company. The shares when not fully paid will be allotted direct to the shareholders, and not to the liquidator. The liquidator usually sends a **notice** to the members of the old company, enclosing a **form** of **application** to be sent to the new company. This application, if sent in, is only an offer to take the shares, and may be withdrawn before it is accepted by the new company. It is not an acceptance of the offer by the new company so as to make the applicant a member forthwith. Where the new company considers that it is an advantage to have as many as possible of the partly paid shares issued, the liquidator shall be empowered to sell shares not applied for, and, as far as possible, should sell them. The proceeds of such a sale will belong to the members of the old company who have neither accepted shares in the new company nor dissented, for the other members have already received their porportion of the purchase consideration. The liquidator will nominate the purchasers of the shares to receive an allotment of the number they have bought credited as partly paid

**406.** In **closing** the **books** of the **old** or **vendor company** the **entries** have much in common with the corresponding entries in the case of a partnership that is completely wound up; the principal variation being in the return to the shareholders of fully or partly paid-up shares in the new company. So far as the new or

purchasing company is concerned the procedure in no way differs from that of any ordinary company acquiring a going concern.

**Example 1.** The Coventry Motor Co , Ltd., go into voluntary liquidation on 31st December, 1914, the Assets being : Property, £30000 ; Machinery & Plant, £2400 ; Liabilities : Sundry Creditors, £5000 ; and Fully Paid-up Capital, £40000. The Assets are sold on 1st March, 1911, to a company newly incorporated for the purpose for £20000, payable in shares of the new company of £1 each, credited with 16/8 per share paid and £6000 in cash, which amount discharges the Sundry Creditors and Liquidation Expenses Close the books of the old company and show the opening entries of the new company, as follows :—

**Balance Sheet of The Coventry Motor Co., Ltd.,**
on 31st December, 1914.

| Liabilities. | | Assets. | |
|---|---|---|---|
| Share Capital .. | £40000 | Property ..... | £30000 |
| Sundry Creditors | 5000 | Machinery & Plant ..... | 2400 |
| | | P.&L.A/c.,DEFICIENCY | 12600 |
| | £45000 | | £45000 |

**Journal, Closing Entries.**

| | | | |
|---|---|---|---|
| Realisation A/c. .....Dr. | | £32400 | |
| To Property A/c. ..... | | | £30000 |
| „ Machinery & Plant A/c. ..... | | | 2400 |
| New Company .....Dr. | | 26000 | |
| To Realisation A/c. ..... | | | 26000 |
| Realisation A/c. .....Dr. | | 1000 | |
| To Liquidation Expenses A/c. ..... | | | 1000 |
| Profit & Loss A/c. .....Dr. | | 7400 | |
| To Realisation A/c. ..... | | | 7400 |
| Cash A/c. .....Dr. | | 6000 | |
| Shares in New Company (24000 of £1 each ,16/8 per Share paid) .....Dr. | | 20000 | |
| To New Company ..... | | | 26000 |
| Sundry Creditors .....Dr. | | 5000 | |
| Liquidation Expenses A/c. ..... „ | | 1000 | |
| To Cash ..... | | | 6000 |
| Capital A/c. .....Dr. | | 20000 | |
| To Profit & Loss A/c. ..... | | | 20000 |
| Capital A/c. .....Dr. | | 20000 | |
| To Shares in New Company..... | | | 20000 |
| Being a distribution at the rate of 3 Shares in New Company (16/8 per share paid up) for each 5 Shares held in the Coventry Motor Co., Ltd. | | | |

**Journal, Opening Entries of the New Company.**

| | | | |
|---|---|---|---|
| Property A/c. | Dr. | £22600 | |
| Machinery & Plant A/c. | „ | 2400 | |
| Preliminary Expenses A/c. | „ | 1000 | |
| To Liquidator of Coventry Motor Co., Ltd. | | | £26000 |
| Liquidator of Coventry Motor Co., Ltd. | Dr. | 26000 | |
| To Cash A/c. | | | 6000 |
| „ Share Cap. A/c. (24000 Shares of £1 each, issued with 16/8 per Share paid up, as per contract dated 1st March, 1915, adopted 15th March, 1915, filed 17th March, 1915) | | | 20000 |

**Example 2.** The Imperial Aeroplane Co., Ltd., has a Capital of 10000 £1 Shares fully paid, the amount due to Creditors being £5300, and the Dr. Balances being as follows :—Cash, £30 ; Formation Expenses, £360 ; Sundry Debtors, £900 ; Stock, £2000 ; Patents, £9600 ; P. & L. A/c., £2410. The Company goes into liquidation, and a newly incorporated company—The New Imperial Aeroplane Co., Ltd —with a Capital of £20000, takes over the Liabilities and Assets (at book value, except Patent Rights) of the old Company. The Creditors are discharged by the new Company, as follows:—(1) Preferential, paid in full, £100 ; (2) Unsecured, paid by cash composition of 10/- in £, £2680 ; (3) Unsecured, paid by issue 7½% Debentures fully paid and a bonus of 10%, £2520 ; (4) 10000 Shares of £1 each, 10/- paid up, to be issued to the shareholders in the old Company, payable 5/- on Application and 5/- on Allotment. (5) Liquidation Expenses—£50—to be paid by the new Company as part of the purchase money.

Close the books of the old Company. Show the opening entries in the books of the new Company and prepare a Balance Sheet ; taking for granted that all the shares and debentures have been allotted and all cash in respect thereof duly received.

**Journal of the Imperial Aeroplane Co., Ltd.**

| | | | |
|---|---|---|---|
| Realisation A/c. | Dr. | £15300 | |
| To Sundry Debit Balances | | | £15300 |
| (Being debit balances transferred.) | | | |
| The New Imperial Aeroplane Co., Ltd., Dr. | | 252 | |
| To Sundry Creditors | | | 252 |
| (Being Bonus of 10% on £2520, payable in 7½% Debentures, fully paid, as per agreement.) | | | |
| The New Imperial Aeroplane Co , Ltd. Dr. | | 9010 | |
| To Realisation A/c. | | | 9010 |

| | | |
|---|---|---|
| Being purchase consideration payable under scheme as follows :— | | |
| 10000 Shares at £1 each 10/- paid up, to be issued to Shareholders ..... | £5000 | |
| £2520 7½% Debentures fully paid, to be issued to Creditors in part payment ..... | £2520 | |
| Cash to Creditors in part payment of Unsecured Creditors ..... | £1440 | |
| Cash for Liquidation Expenses | 50 | |
| | £9010 | |

| | | | |
|---|---|---|---|
| Realisation A/c. ..... | Dr. | £50 | |
| To Cash A/c. ..... | | | £50 |
| (Being payment of Liquidation Expenses) | | | |
| Shares A/c.—10000 Shares of £1 each, 10/- paid up ..... | Dr. | 5000 | |
| Debentures A/c.—£2772 7½% Debentures ..... | Dr. | 2772 | |
| Cash A/c. ..... | Dr. | 1490 | |
| To the New Imperial Aeroplane Co., Ltd. | | | 9262 |
| (Being Assets handed over by the New Imperial Aeroplane Co., Ltd., to Liquidator in settlement of Purchase consideration.) | | | |
| Sundry Creditors ..... | Dr. | 5552 | |
| To Debenture A/c. ..... | | | 2772 |
| ,, Cash A/c. ..... | | | 1440 |
| ,, Realisation A/c. ..... | | | 1340 |
| (Being discharge of amounts due to Sundry Creditors as per agreement and transfer of balance to Realisation A/c.) | | | |
| Sundry Shareholders' A/c. ..... | Dr. | 5000 | |
| To Realisation A/c. ..... | | | 5000 |
| (Being loss on Realisation.) | | | |
| Share Capital A/c. ..... | Dr. | 10000 | |
| To Sundry Shareholders' A/c. ..... | | | 10000 |
| (Being Share Capital transferred.) | | | |
| Sundry Shareholders' A/c. ..... | Dr. | 5000 | |
| To Shares A/c. ..... | | | 5000 |
| (Being issue of 10000 Shares of £1 each 10/- paid up, in the New Imperial Aeroplane Co., Ltd., in exchange for Shares in The Imperial Aeroplane Co., Ltd.) | | | |

## Ledger of The Imperial Aeroplane Co., Ltd.

**Dr. Realisation A/c. Cr.**

| | £ | | £ |
|---|---|---|---|
| To Sundries ..... | 15300 | By New Imperial Aeroplane Co., Ltd. .. | 9010 |
| ,, Cash (Expenses) .. | 50 | ,, Sundry Creditors .. | 1340 |
| | | ,, Shareholders' A/c. (Loss) ..... | 5000 |
| | £15350 | | £15350 |

**Dr. The New Imperial Aeroplane Co., Ltd. Cr.**

| | £ | | £ |
|---|---|---|---|
| To Sundry Creditors (10% Bonus) .... | 252 | By Sundries ..... | 9262 |
| ,, Realisation A/c..... | 9010 | | |
| | £9262 | | £9262 |

**Dr. Sundry Creditors. Cr.**

| | £ | | £ |
|---|---|---|---|
| To Debentures..... | 2772 | By Balance ..... | 5300 |
| ,, Cash..... | 1440 | ,, New Imperial Aeroplane Co., Ltd. .. | 252 |
| ,, Realisation A/c..... | 1340 | | |
| | £5552 | | £5552 |

**Dr. Sundry Shareholders. Cr.**

| | £ | | £ |
|---|---|---|---|
| To Realisation A/c. (Loss)..... | 5000 | By Share Capital A/c. .. | 10000 |
| ,, Share A/c. ..... | 5000 | | |
| | £10000 | | £10000 |

**Dr. Cash A/c. Cr.**

| | £ | | £ |
|---|---|---|---|
| To New Imperial Aeroplane Co., Ltd... | 1490 | By Sundry Creditors.... | 1440 |
| | | ,, Liquidation Expenses | 50 |
| | £1490 | | £1490 |

**Journal of The New Imperial Aeroplane Co., Ltd.**

| | | | |
|---|---|---|---|
| Patents A/c. ..... | Dr. | £6332 | |
| Sundry Debtors ..... | „ | 900 | |
| Stock A/c. ..... | „ | 2000 | |
| Cash A/c. ..... | „ | 30 | |
| To Vendor Company ..... | | | £9262 |
| (Being assets taken over in accordance with scheme of Re-construction.) | | | |
| Vendor Company ..... | Dr. | 9262 | |
| To Share Capital A/c. 10000 shares of £1 each, 10/- paid up ..... | | | 5000 |
| „ Debentures 7½% ..... | | | 2772 |
| „ Cash A/c. ..... | | | 1490 |
| (Being Shares and Debentures issued and Cash paid in settlement of purchase consideration.) | | | |
| Application & Allotment A/c. ..... | Dr. | 5000 | |
| To Share Capital A/c. ..... | | | 5000 |
| (Being 5/- per share payable on application and 5/- on allotment of 10000 Shares issued.) | | | |

**The New Imperial Aeroplane Co., Ltd.**

**Dr. Cash A/c. Cr.**

| | £ | | £ |
|---|---|---|---|
| To Vendor Company. | 30 | By Vendor Company | 1490 |
| „ Application and Allotment .... | 5000 | „ *Balance c/f.* ..... | 3540 |
| | £5030 | | £5030 |

**BALANCE SHEET.**

| Capital & Liabilities. | | Assets. | £ |
|---|---|---|---|
| NOMINAL CAPITAL— | | Patents ..... | 6332 |
| 20000 Shares of £1 each | £20000 | Sundry Debtors .. | 900 |
| | | Stock ..... | 2000 |
| ISSUED & PAID-UP CAPITAL— | | Cash ..... | 3540 |
| 10000 Shares of £1 each fully paid..... | £10000 | | |
| 7½% Debentures ..... | 2772 | | |
| | £12772 | | £12772 |

**407.** An **ABSORPTION** in the financial world is the buying up of the business of one limited company by another, the **object** generally being to effect economy by way of the reduction of establishment charges and management expenses. The most important practical **difference** between a *reconstruction* and an *absorption* is that in the former the shareholders generally suffer a loss, while in the latter there is usually a profit ; arising from, (1) the price paid for goodwill, when that item is in excess of the amount at which it stands in the books of the vendor company ; (2) the fact that reserves provided by the vendor company need no longer be regarded as liabilities ; (3) the fact that the real value of the shares received in payment of the purchase price is in excess of their nominal value.

**408.** The **Journal entries** required to be made in connection with the transfer are almost identical with those necessitated when **closing** the books of a partnership, in the case of dissolution, and may be summarised as follows :—(**a**) credit all accounts representing assets sold and debit Realisation A/c. ; (**b**) debit accounts relating to liabilities, and credit Realisation A/c. ; (**c**) debit absorbing or purchasing company's A/c., and credit Realisation A/c. with the total amount of the purchase price ; (**d**) credit absorbing or purchasing company's account, and debit the respective accounts of assets for the items forming the purchase price, such as cash, shares, &c. ; (**e**) should any expenses be paid by the vendor company, credit cash and debit Realisation A/c. ; (**f**) the difference of the Realisation A/c. represents profit or loss, and should **be** carried to the Sundry Shareholders' A/c. ; (**g**) the credit balances of the P. & L. A/c., Reserve A/c., &c., should be carried to the Sundry Shareholders' A/c., also the balance of the Share Capital A/c. ; (**h**) debit Sundry Shareholders' A/c. with the assets comprising the purchase price, when the distribution takes place, and credit the respective accounts of cash, shares in absorbing or purchasing company, &c.

**409.** The **Journal entries** necessary when **opening** the books of the absorbing or purchasing company are :—(**a**) debit the various assets acquired and credit the vendor company, also any liabilities taken over ; (**b**) debit the vendor company and credit Share Capital A/c. Cash, &c., representing the payment of the purchase price.

**Example.** The following are the Balance Sheets, on 31st December, 1914, of the Alpha and Omega Companies, Ltd., respectively :—

**Alpha Co., Ltd.**

| Capital & Liabilities. | | Assets. | |
|---|---|---|---|
| Capital, 6000 Shares, £5 each, fully paid ..... | £30000 | Machinery & Plant, cost | £22240 |
| Sundry Creditors ..... | 10270 | Sundry Debtors..... | 6249 |
| | | Stock ..... | 9423 |
| | | Cash..... | 129 |
| | | P. & L. A/c., Balance .. | 2229 |
| | £40270 | | £40270 |

**Omega Co., Ltd.**

| Capital & Liabilities. | | Assets. | |
|---|---|---|---|
| Capital, 100000 Shares, £1 each, fully paid .. | £100000 | Freehold Premises .... | £22500 |
| Sundry Creditors..... | 18129 | Machinery & Plant .... | 32659 |
| Reserve ..... | 7000 | Sundry Debtors..... | 24682 |
| P. & L. A/c.Balance .. | 16440 | Stock ..... | 38640 |
| | | Cash in Bank and in hand | 23088 |
| | £141569 | | £141569 |

It is agreed that the businesses shall be combined by the Omega Co., Ltd., purchasing the Alpha Co., Ltd., as on 31st December, 1914, on the following basis :—(1) a dividend of 15% to the Shareholders of the Omega Co., Ltd., to be declared prior to the absorption ; (2) The Omega Co., Ltd. to take over the assets of the Alpha Co., Ltd., the consideration being :—(*a*) the payment of the liabilities of the Alpha Co., Ltd., (*b*) the payment of the costs of absorption, (*c*) the issue to the Shareholders of the Alpha Co., Ltd., of seven fully-paid shares of £1 each in the Omega Co., Ltd., for every two fully-paid shares in the Alpha Co., Ltd. The costs of the absorption amounted to £1206. The floating

assets of the Alpha Co., Ltd. were worth the values stated on the B/S. Draft the Journal entries recording the purchase in the books of the Omega Co., Ltd., and set out the B/S. of the Omega Co., Ltd., after the absorption as follows :—

| | Journal of the Omega Co., Ltd. | Dr. | Cr. |
|---|---|---|---|
| 1914. | | £ | £ |
| Dec. 31. | Profit & Loss A/c. .....Dr. | 15000 | |
| | To Dividend A/c. ..... | | 15000 |
| | (Being dividend at 15% on 100000 Shares of £1 each) ..... | | |
| | Machinery & Plant .....Dr. | 22240 | |
| | Sundry Debtors ..... „ | 6249 | |
| | Stock ..... „ | 9423 | |
| | Cash ..... „ | 129 | |
| | To Liquidator of Alpha Co., Ltd. ..... | | 38041 |
| | (For Sundry Assets taken over as per agreement). | | |
| | Liquidator of Alpha Co., Ltd. .....Dr. | 11476 | |
| | To Sundry Creditors ..... | | 10270 |
| | „ Cost of Absorption..... | | 1206 |
| | (For Sundry Liabilities taken over.) | | |
| | Liquidator of Alpha Co., Ltd. .....Dr. | 21000 | |
| | To Share Capital A/c. ..... | | 21000 |
| | (Being issue of 7 fully paid £1 Shares in Omega Co., Ltd., to every holder of 2 fully paid £5 Shares in Alpha Co., Ltd.) | | |
| | Liquidator of Alpha Co., Ltd. .....Dr. | 5565 | |
| | To Machinery & Plant ..... | | 5565 |
| | (For surplus transferred to provide for Depreciation.) | | |

**Balance Sheet** of **Omega Co., Ltd.,**
on 31st December, 1914.

| Capital and Liabilities. | | | Assets. | |
|---|---|---|---|---|
| ISSUED & PAID-UP CAPITAL :— | | | Freehold Premises..... | £22500 |
| 121000 Shares of £1 each ..... | | £121000 | Machinery & Plant ..... | 49334 |
| SUNDRY CREDITORS :— | | | Stock ..... | 48063 |
| On Open Accounts ..... | £28399 | | Sundry Debtors ..... | 30931 |
| For Absorption Expenses | 1206 | | Cash at Bank and in hand | 23217 |
| „ Dividend on 100000 Shares declared before absorption..... | 15000 | 44605 | | |
| Reserve ..... | | 7000 | | |
| Profit & Loss A/c. ..... | | 1440 | | |
| | | £174045 | | £174045 |

**410.** The term **AMALGAMATION** is used in relation to Limited Companies, to express the **combination** into **one undertaking** of two or more independent concerns. An Amalgamation differs from an Absorption in that instead of one existing company absorbing another, a *newly incorporated company* takes over the business of two or more companies. It is usual for the new company to take over the liabilities of the uniting companies, and for fully paid shares in the new company to be issued to the shareholders in the uniting companies in proportion to their holdings and the relative value of their shares. Great care must be exercised in the **valuation** of the **Assets** of both companies, as, after deducting the total amount owing to Sundry Creditors from the total of the Assets in each case, the *difference* forms the basis for calculating the proportional number of shares to be allotted to the shareholders of the old companies by the new company, as shown below.

| | Bruce & Co., Ltd. | Sykes & Co., Ltd. |
|---|---|---|
| Share Capital in £1 Shares .. | £50000 | £160000 |
| Total Assets ..... | £62000 | £186000 |
| *Less* Sundry Creditors .. | 2000 | 6000 |
| | £60000 | £180000 |

The 240000 Shares of £1 each in the new company should be allotted to the shareholders of (1) Bruce & Co., Ltd., 6 new shares for every 5 old, £60000; (2) Sykes & Co., Ltd., 9 new shares for every 8 old, £180000. Below are the Balance Sheets of the two companies prior to amalgamation, followed by the combined B/S. of the amalgamated concern.

**Balance Sheet of Bruce & Co., Ltd.**

| Capital and Liabilities. | | Assets. | |
|---|---|---|---|
| Share Capital :—50000 Shares of £1 each, fully paid .... | £50000 | Leasehold Premises | £20000 |
| Sundry Creditors ..... | 2000 | Machinery & Plant | 9000 |
| Reserve Fund A/c. ..... | 8000 | Patents..... | 6000 |
| Profit & Loss A/c., Balance | 2000 | Stock ..... | 14000 |
| | | Sundry Debtors .. | 12000 |
| | | Cash ..... | 1000 |
| | £62000 | | £62000 |

**Balance Sheet of Sykes & Co., Ltd.**

| Capital and Liabilities. | | Assets. | |
|---|---|---|---|
| Share Capital:—160000 Shares of £1 each, fully paid | £160000 | Leasehold Premises | £60000 |
| Sundry Creditors | 6000 | Machinery & Plant | 24000 |
| Reserve Fund A/c. | 15000 | Patents | 20000 |
| Profit & Loss A/c., Balance | 5000 | Stock | 30000 |
| | | Sundry Debtors | 45000 |
| | | Cash | 7000 |
| | £186000 | | £186000 |

**Balance Sheet of Bruce, Sykes & Co., Ltd.**

| Capital and Liabilities. | | Assets. | |
|---|---|---|---|
| Share Capital:—240000 Shares of £1 each, fully paid | £240000 | Leasehold Premises | £80000 |
| Sundry Creditors | 8000 | Machinery & Plant | 33000 |
| | | Patents | 26000 |
| | | Stock | 44000 |
| | | Sundry Debtors | 57000 |
| | | Cash | 8000 |
| | £248000 | | £248000 |

**Company Exercise 1.**

A Company was floated on 1st Jan. to take over the business of Black & Tan, the cap. to consist of 20000 6% Pref. Shs. of £1 each, payable 5/- per share on application, 5/- per share on allotment, 10/- per share due on call 3 months after. 30000 Ord. Shs. of £1 each, of which 20000 were issued to the vendors in part payment of the purchase price of the business, the balance to be offered to the public for £1 2 6 each payable 7/6 per share on application, 5/- on allotment, and 10/- three months after. There were also 100 4% Debentures of £100 each issued, 50 of which were issued to the vendors in part payment of the purchase price of the business, payable £20 on application, £80 on allotment. The whole of the Pref. Shs. and the Debentures were applied for and allotted 10th Jan., and 11000 Ord. Shs. were applied for. Of the 1000 over applied for the application money for 500 was returned and the application money for the other 500 was carried to the Allotment A/c. The B/S. of Black & Tan on the 31st December, was as follows :—

| | | | |
|---|---|---|---|
| Sundry Creditors | £8000 – | Cash in hand | £41 10 |
| Capital A/cs. | 33661 10 | Cash in Bank | 2620 – |
| | | Sundry Debtors | 9500 – |
| | | Stock | 12500 – |
| | | Plant and Machinery | 7000 – |
| | | Premises | 10000 – |

**The new Company was to take over all the assets except cash** in hand and at the Bank, and to take over all the liability to Creditors. The purchase price was agreed at £40000 ; £20000 in Ordinary Shares @ £1 each ; £5000 in Debentures and £15000 in cash. The whole of the moneys due on the Shares and Debentures was paid with the exception of the amount due on the Call A/c. on 500 Ordinary Shares, and these Shares were forfeited by resolution of the Directors. Make the necessary entries in the books of Black & Tan, Ltd., to record the above transactions and prepare a B/S. *Key below.*

**Key to Ex. 1. Journal of Black & Tan, Limited.**

| | | Dr. | Cr. |
|---|---|---|---|
| Jan. 1. | Pref. Share Application A/c. ....Dr. | £5000 | |
| | To Preference Share Cap. A/c..... | | £5000 – |
| | Being amount due on application on 20000 shares at 5/- per share. | | |
| | Ordinary Share Application A/c. Dr. | 3750 | |
| | To Premium on Ordy. Share A/c. | | 1250 – |
| | „ Ordinary Share Capital A/c. .. | | 2500 – |
| | Being amount due on application on 10000 shares @ 7/6 per share. | | |
| | Ordinary Share Application A/c. Dr. | 375 | |
| | To Allotment A/c. ..... | | 187 10 |
| | „ Sundry Applicants ..... | | 187 10 |
| | Being amount over applied for on 1000 shares at 7/6 each. | | |
| | Debenture Application A/c. ....Dr. | 1000 | |
| | To Debenture A/c. ..... | | 1000 – |
| | Being amount due on application on 50 Debentures at £20 each. | | |
| Jan. 10. | Pref. Share Allotment A/c. .....Dr. | 5000 | |
| | To Preference Share Capital A/c. | | 5000 – |
| | Ordinary Share Allotment A/c. ..Dr. | 2500 | |
| | To Ordinary Share Capital A/c. .. | | 2500 – |
| | Debenture Allotment A/c. .....Dr. | 4000 | |
| | To Debenture A/c. ..... | | 4000 – |
| | Being amount due on allotment. | | |
| | Sundry Assets—Debtors .....Dr. | 9500 | |
| | Stock A/c..... „ | 12500 | |
| | Plant&Mchy.A/c. „ | 7000 | |
| | Premises A/c. .. „ | 10000 | |
| | Goodwill A/c. .. „ | 9000 | |
| | To Black & Tan ..... | | 48000 – |
| | Black & Tan .....Dr. | 8000 | |
| | To Sundry Creditors ..... | | 8000 – |
| | Black & Tan .....Dr. | 25000 | |
| | To Ordinary Share Capital A/c. .. | | 20000 – |
| | „ Debenture A/c. ..... | | 5000 – |

| | | | | |
|---|---|---|---|---|
| Apl. 10. | Preference Share Call A/c. .....Dr. | £10000 | | |
| | To Preference Share Capital A/c. | | £10000 | – |
| | Ordinary Share Call A/c. .....Dr. | 5000 | | |
| | To Ordinary Share Capital A/c. .. | | 5000 | – |
| | Being amount due on call. | | | |
| | Ordinary Share Capital A/c.....Dr. | 500 | | |
| | To Forfeited Shares A/c. ..... | | 500 | – |
| | Being 500 shares forfeited by resolution passed by the Directors this day. Number..to..standing in the name of | | | |
| | Forfeited Shares A/c.....Dr. | 250 | | |
| | To Ordinary Share Call A/c. ..... | | 250 | – |
| | Being the amount due on shares forfeited as above. | | | |

**Dr.** **Cash Book of Black & Tan, Ltd.** **Cr.**

| | | | | | |
|---|---|---|---|---|---|
| Jan. | To Pref. Share Appn. A/c. | £5000 – | Jan. | By Sundry Applicants for Shares (Being amount returned on Shares over applied for) ..... | £187 10 |
| | ,, Ordy Share Appn.A/c. | 4125 – | | | |
| | ,, Debenture Appn. A/c. | 1000 – | | | |
| | ,, Pref. Share Allot. A/c. | 5000 – | | | |
| | ,, Ordy. Share Allot. A/c. | 2312 10 | | ,, Black & Tan in part payment of purchase of business ..... | 15000 – |
| | ,, Debenture Allot. A/c | 4000 – | | | |
| | ,, Pref. Share Call A/c. | 10000 – | | ,, Balance..... | 21000 – |
| | ,, Ordy. Share Call A/c. | 4750 – | | | |
| | | £36187 10 | | | £36187 10 |

## Balance Sheet of Black & Tan, Ltd.

| Liabilities. | | | Assets. | |
|---|---|---|---|---|
| **Nominal Registered Capital** | | £50000 | Premises ..... | £10000 |
| | | | Plant & Machinery..... | 7000 |
| **Issued & Called-up Capital:—** | | | Stock..... | 12500 |
| 20000 Pref. Shares of £1 each ..... | £20000 | | Sundry Debtors ..... | 9500 |
| 30000 Ordy. Shares of £1 each .....£30000 | | | Bank ..... | 21000 |
| *Less* 500Shares forfeited .... 500 | 29500 | 49500 | Goodwill..... | 9000 |
| **Debentures** ..... | | 10000 | | |
| Premium on Shares A/c. .... | | 1250 | | |
| Forfeited Shares A/c. ..... | | 250 | | |
| Sundry Creditors ..... | | 8000 | | |
| | | £69000 | | £69000 |

## Company Exercise 2.

A Company was formed with £2000000 Share Capital, divided into 1000000 £1 Ordy. and 1000000 £1 5% Preferred Shares, and Debenture Stock of £1000000, to take over from 1st Jan. 1901, a number of businesses doing the same class of trade. The purchase price of the businesses was £2550000, composed as follows:

Land and Buildings, £1050000 ; Stocks-in-Trade, £500000 ; Book Debts (guaranteed by the Vendors), £200000 ; Trade Marks, Patent Rights and Goodwill, £800000, to be paid for as to £333000 in fully paid Ordy. Shares, £333000 in fully paid Pref. Shares, and £343000 in Debenture Stock of the Co. and as to the balance in Cash or in fully paid Ordy Shares at the price of 22/6 per share, at the option of the Vendors. The Vendors availed themselves of this option to the extent of £100000 Shares, and the balance of Share Cap. and Debenture Stock was issued to the public at par, as below. Make the entries in the Company's books.

| | Per Share. | Debenture Stock. |
|---|---|---|
| On Application ..... | 2/6 .. | 25% |
| On Allotment ..... | 5/- .. | 25% |
| On 30th April, 1901 ..... | 5/- .. | 50% |
| On 31st May, 1901 ..... | 7/6 | |

### Company Exercise 3.

A Private Firm sells its business to a Company. Assets :— Land and Buildings, £20000 ; Plant and Machinery, &c., £35000 ; Stock, £10000 ; Book Debts, £5000. It owes £3000. The Co. takes over all the assets and liabilities and pays the Firm £90000 in 2000 Ordy. Shares of £5 each, fully paid, 2000 5% Pref. Shares of £5 each, fully paid, and 20000 4% Debenture Stock, at par, and the balance in cash. The Co.'s Capital is £100000, consisting of 8000 Ordy. Shares of £5 each, 6000 5% Pref. Shares of £5 each, and 30000 4% Debenture Stock, all of which are issued—the Pref. Shares at a premium of 10/- a Share payable on allotment, 10/- a Share in respect of both classes of Shares is to be paid on Application, £2 (in case of Pref. £2 10s.) on Allotment, £1 10s. on First Call, and £1 on Final Call, while the Debentures are to be paid for—10% on Application ; 40% on Allotment ; 25% on First Call ; 25% on Final Call. Make the Cash and Journal entries in the Company's books.

### Company Exercise 4.

A Company is formed to acquire an Engineering Business. The purchase price is fixed under Agreement dated 1st June, 1903, at £50000, payable as to £20000 in Ordy. Shares of the Co. of £1 each credited as fully paid, as to £20000 in 5% Debentures, and as to £10000 in Cash. The Co. has paid the Preliminary Exs. amounting to £500, but under the Agreement these are payable by the Vendor. The Goodwill of the business is valued at £10000. Below is a list of the Assets and Liabilities (excluding Goodwill) taken over by the Co. Prepare the opening Journal Entries for the Company's Books.

| | | | |
|---|---|---|---|
| Overdraft at Bank ..... | £5000 | Book Debts ..... | £15000 |
| Sundry Loans ..... | 10000 | *Less* Provision for Bad and Doubtful Debts. | 2000 £13000 |
| Trade Creditors ..... | 7000 | | |
| Bills Payable..... | 2500 | Stocks on hand ..... | 15000 |
| | | Machinery & Plant ..... | 30000 |
| | | Loose Tools & Rolling Stock.. | 5500 |
| | | Bills Receivable in hand .... | 1000 |

### Company Exercise 5.

The Leeway Engineering Co., Ltd., formed with a Capital of 100000 £1 Shares, purchased the Goodwill and Assets of Forrester & Co., Builders and Contractors, for the sum of £90000; Forrester & Co.'s Assets were as follows :—Land, Buildings, and Plant, £30000 ; Loose Tools, £4000 ; Stock-in-Trade and Work-in-Progress, less received on A/c., £30000 ; Sundry Debtors, £10000 ; Cash in Bank, £750 ; Cash in hand, £250 ; Liabilities to Creditors, £10000. The consideration was to be discharged—£65000 in fully paid shares and £25000 in cash. The balance of the share cap. was issued to the public, payable—2/6 per share on application ; 7/6 per share on allotment ; 5/- per share in two months after allotment ; Balance in four months after allotment. Prepare the Journal entries in the Company's books.

### Company Exercise 6.

Prepare a B/S. of the Devonshire Iron Co., Ltd., at 31st Dec., 1904, from the following particulars :—Authorised Capital—£200000, divided into 100000 Ordy. Shares of £1 each and 100000 6% Cumulative Preference Shares of £1 each. 50000 Pref. Shares have been issued and are fully called up. 50000 Ordinary Shares have been issued and 15/- per share called up. The Authorised Debenture issue is £100000.

| | |
|---|---|
| Preference Share Capital paid up | £49500 |
| Calls on Preference Shares in arrear | 500 |
| Ordinary Share Capital paid up | 37400 |
| Calls on Ordinary Shares in arrear | 100 |
| Debentures issued—100 Bonds of £100 each, bearing interest at 4½% per annum | 10000 |
| Ordinary Shares—Calls paid up in advance | 300 |
| Cash at Bank £1650 ; Cash in hand | 90 |
| Trade Creditors £3860 ; Trade Debtors | 19600 |
| Stock in hand, 31st Dec., 1904 | 12350 |
| Fixed Plant & Machy., £33200 ; Freehold Land & Bldgs. | 27500 |
| Loose Plant & Tools, £9600 ; Reserve Fund | 6000 |
| Patterns & Drawings, £5000 ; Investments on a/c. of Res. Fund | 5500 |
| Reserve for Bad & Doubtful Debts | 980 |
| Depreciation of Plant & Machinery | 1600 |
| Dividend on Preference Shares for the year | 2970 |
| Interim Dividend on Ordinary Shares | 1870 |
| P. & L. A/c., Balance after paying Interim Dividend on Ordinary Shares and Div. on Preference Shares | 4850 |

*Answer.—Total B/S.* £111910.

### Company Exercise 7.

The following is the liabilities' side of the B/S. of a Company :

| | |
|---|---|
| Nominal Capital:—5000 6% Preference Shares, £7 each | £35000 |
| 10000 Ordinary Shares, £2 10 - each | 25000 |
| | £60000 |

| | | |
|---|---|---|
| Capital issued :—3000 Preference Shares, fully paid ..... | | £21000 |
| 2000 Ordinary Shares, fully paid ... | £5000 | |
| 4000 do. do. £1 10s. paid . | 6000 | 11000 |
| Sundry Creditors ..... | | 3400 |
| Depreciation Fund ..... | | 9500 |
| Reserve Fund from accumulated profits ..... | | 8000 |
| Revenue A/c., balance of unappropriated profits ..... | | 9000 |
| | | £61900 |

Resolutions are passed :—(1) To convert the Pref. Shares into £1 Shares ; (2) To declare out of the Reserve Fund and the balance out of Revenue A/c. a bonus dividend of 100% on the amounts paid up on the Ordy. Shares, to be applied and paid as follows : (*a*) On the fully paid Ordy. Shares—one-fourth in fully paid Pref. Shares, and three-fourths in additional fully paid Ordy. Shares. (*b*) On the partly paid Ordy. Shares—one-fourth in fully paid Pref. Shares, £4000 in paying up in full such partly paid shares, and the balance in fully paid Ordy. Shares. (3) To convert the Ordy. Shares into £1 Shares. Draft the Journal entries necessary to carry out these resolutions, and set out the liabilities' side of the B/S. after the resolutions are carried out.

### Company Exercise 8.

Johnson & Co., as on 31st Dec., 1904, converted their business into a Limited Liability Company, and the following are the firm's and the Company's Balance Sheets. What Journal entries would be required to bring the firm's books to show the Company's figures as follows :—

| Liabilities. | Firm. 31st Dec. 1904. | Company. 1st Jan. 1905. |
|---|---|---|
| Partner's Cap... | £120000 | |
| Reserve A/c. .. | 15000 | £3000 |
| Shares fully paid | | 100000 |
| Debentures .... | | 30000 |
| | £135000 | £133000 |

| Assets. | Firm. 31st Dec., 1904. | Company 1st Jan., 1905. |
|---|---|---|
| Cash ..... | £2000 | £2000 |
| Stock ..... | 25000 | 20000 |
| Book Debts .... | 15000 | 12000 |
| Goodwill ..... | 41000 | 54000 |
| Property ..... | 50000 | 45000 |
| Expense of converting into Co. | 2000 | |
| | £135000 | £133000 |

### Company Exercise 9.

James Smith sells his business to a private Limited Company. His assets at the date of sale are Freehold Premises, £4500 ; Plant and Fixtures, £3250 ; Stock, £3700 ; Book Debts, £3650 ; Cash at Bank, £940. His trade liabilities are £690. The Co. is registered with a cap. of £20000, divided into £1 shares. The purchase agreement provides that the vendor shall receive 16000 shares, credited as fully paid, as the consideration for the above assets and the goodwill, subject to the trade liabilities. The remainder of the nominal cap. is subscribed in equal shares by A., B., C., D., E., F., G., and H., who pay the whole amount into the Bank on the day of completion. Draft the opening Journal entries for the books of the new Company.

### Company Exercise 10.

Brown, Jones, Robins & Sykes, carrying on business in partnership under the style of Brown, Jones & Co., Engineers and

Ironfounders, decide to convert their business into a Limited Company under the style of "The Brown & Jones Engineering Co., Ltd.," as on and from 1st January, 1906. The Assets of Brown, Jones & Co. were :—

| | |
|---|---|
| Freehold Land & Buildings | £35000 |
| Leasehold Land & Buildings | 25000 |
| Fixed Plant & Machinery | 28000 |
| Loose Plant, Tools & Patterns | 15000 |
| Stock-in-Trade £60000; Sundry Debtors £30000; Cash in hand | 500 |
| Patent Rights | 10000 |

Their Liabilities were :—

| | |
|---|---|
| Sundry Trade Creditors | 12000 |
| Midland Banking Co., Ltd.—Overdraft | 20000 |
| Thomas Mellor—Loan on First Mortgage of Freehold Property | 15000 |
| Executors of John Green, deceased—Loan on First Mortgage of Leasehold Property and Second Mortgage of Freehold Property | 20000 |
| Executors of Arthur Green (a former partner) | 23000 |

The agreement of sale and purchase stipulates that the Limited Co. shall take over the assets at the values shown above, and that they shall discharge the liabilities and take over the Mortgage loans of the firm, and, in addition, allot to the partners £120000 of Ordy. shares fully paid up. The liability to the Executor of Arthur Green is to be discharged by the Allotment of 4½% debentures for the amount due. The Capital of the Co. is £250,000 divided into 150000 Ordy. Shares, and 100000 6% Pref. Shares of £1 each. The Pref. Shares are offered to the public for subscription, and applications are received for 15000 shares, 10/- per share being received on application. The Ordy. and Pref. Shares are allotted on 10th Jan., 1906, the balance of 10/- per share on the Pref. Shares being called up, all of which was received by 31st Jan., 1906. Make the entries in the Journal and Cash Book of the Company to record the above transactions.

**Company Exercise 11.**

The trading of Hall & Co., Ltd., for the year ended 31st Dec., 1906, resulted in a profit of £30000, after providing for all expenses of management, &c. The balance of profit brought forward from the previous year amounted to £2000. The paid up Capital of the Co. amounted to £100000 in Ordy. Shares, in addition to which the Co. had issued Debentures amounting to £60000. The Plant and Machinery appeared in the B/S. at £150000. Interest for one year at the rate of 5%, less Income Tax at 1/-, had to be provided in respect of the Mortgage Debentures. The Directors recommended and the shareholders confirmed :—(1) The transfer of a sum amounting to 10% on the book value of the Plant and Machinery to a Depreciation A/c. (2) The payment of dividend of 10% for the year on the Ordy. Share Capital, less Income Tax at 1/-. (3) The balance to be carried forward. Draft the entries necessary to give effect to the above.

### Company Exercise 12.

Prepare a B/S. of Wilson & Co., Ltd., as at 31st December, 1906, from the following :—

| | |
|---|---|
| Freehold Land & Buildings, £38000 ; Stocks on hand .. | £40000 |
| Capital—Nominal £200000. Capital subscribed : | |
| 40000 6% Cumulative Pref. Shares of £1 each, fully pd. | 40000 |
| 27000 Ordinary Shares of £5 each, £2 called ..... | 54000 |
| Plant & Machinery, £16000 ; Mortgage Debentures .... | 10000 |
| Additions to Plant during the year ..... | 2000 |
| Debts due to the Company ..... | 20000 |
| Cash in hand, £50 ; Cash in Bank ..... | 1000 |
| Creditors on Open A/cs. and Bills Payable (including £20 unclaimed dividends) ..... | 5000 |
| Balance in Bank on Dividend A/c., £20 ; Reserve A/c... | 500 |
| Bills Receivable (in addition to which Bills amounting to £500 were under discount) ..... | 1100 |
| Insurance, &c., paid in advance, £100 ; Formation Exs. | 100 |
| First Call A/c. due from sundry shareholders ..... | 50 |
| Profit & Loss A/c. :—Balance from last year .....£200 | |
| Balance this year .....8720 | 8920 |

### Company Exercise 13.

A Limited Company is registered on 1st May, 1906. The Nominal Capital consists of :—10000 5% Pref. Shares of £5 each : 20000 Ordy. Shares of £5 each. In addition there are offered for subscription :—500 4½% 1st Mortgage Debentures of £100 each. The Pref. and Ordy. Shares are payable as follows :—£1 on Application ; £4 on allotment. The Debentures are payable as follows :—£5 on application ; £95 three months after allotment. The following applications are received, and on 15th May, 1906, the Directors proceed to allot :—9650 Preference Shares ; 18500 Ordinary Shares ; 500 Debentures. All moneys due on allotment are paid. Draft the Journal and other entries necessary to record the transactions in the books of the Company.

### Company Exercise 14.

The Share Capital of the Leakage Co., Ltd., is as follows :—1000000 Ordy. Shares of £1 each ; 500000 Pref. Shares of £1 each, the whole of the Capital being subscribed and paid up. Having sustained heavy losses for several years in succession, the sanction of the Court is obtained to write down the £1 Ordinary Shares to 8/-, and the Preference Shares to 12/- per share. Show the entries in the books of the Company (in the form of ledger accounts) to record such reduction of Capital.

### Company Exercise 15.

A Company has an issued Capital of £30000 in shares of £1 each, fully paid, with the exception of 600 shares held by John Jones, 10/- paid. The latter are forfeited for non-payment of calls, and subsequently re-issued to William Brown, fully paid, at the price of 15/- per share. Show the entries in the Company's Journal and Ledger recording these transactions.

## RESERVES.

**411.** In all trading concerns **fluctuations** are likely to occur, and it is therefore prudent to **reserve part of the profits** of prosperous years to meet the difficulties of unsuccessful years. In ordinary businesses *not* subject to limited liability, the profits are usually divided among the partners, whose capital a/cs. are credited with the whole of the profits, *no* Reserve A/c. being opened. In the case of Limited Liability Companies, however, a portion of the profit is often "reserved" before the distribution of the dividends among the shareholders, the unappropriated profit being carried forward to the next year's a/c. as shown in the Appropriation A/c. given on page 469.

**412. Table A,** being the first schedule to the Companies' (Consolidation) Act, 1908, provides that, before recommending any dividend the directors may set aside out of the profits such sums as they think proper as a reserve, which shall, at the discretion of the directors, be applicable for meeting contingencies, or for equalising dividends, or for any other purpose to which the profits may be properly applied, and, pending such application, may either be employed in the business or be invested.

**413.** By some authorities a **Reserve,** variously expressed as *Reserve A/c., Reserve Fund, Surplus, Margin, Rest,* is considered to be the amount by which the assets of a concern *exceed* the total of its paid-up capital and liabilities, and would be better known merely as a "Surplus," or, as in the case of the Bank of England, a "Rest"; its principal objects being to meet *any* contingencies, to provide against loss of capital, to equalise dividends, to increase working capital, or, as an extra inducement to those with whom the company trades, to give credit. By other authorities the term "Reserve" is stated to be a sum set apart to cover a *special,* as distinguished from a general, liability. It differs from the Reserve Fund in that additions to a Reserve may be made from revenue, even in years when there are no profits. Such Reserves are closely allied to

Depreciation A/cs. in being charges *against* profits; and so far as they are intended to cover expected *losses*, would, in the case of a private trader, be deducted from revenue before any estimate of the profits was made. But in the case of Companies, Directors and Managers (desirous of presenting favourable reports to shareholders) generally like to show profits as large as possible, and then purport to set aside part of the so-called profits to Reserves. A Company, then, which has never reached the point of having divisible profits may still have so-called reserves; sums set aside from revenue, and specially ear-marked to meet special liabilities, and until these amounts are set free by the extinguishment of the liabilities which they were created to cover they ought not to be applied to any other purpose. Such Reserves, unless of a very general character, should always be shown in the B/S. *not* as liabilities, but as *deductions from the particular assets* in respect of which they were created. There would then be no possible confusion between them and the Reserve Fund A/c., which may properly be shown among the liabilities as a fictitious creditor. A real **Reserve** is composed of and *created* by amounts *set aside out of divisible profits*, after all due provision has been made for depreciation and other known, expected, or contingent losses and liabilities; the object of such Reserve being either to enable dividends to be equalised in varying years, or to strengthen the general financial position of the company. In the case of banks an additional security is afforded to the depositors. A Reserve is, therefore, a portion of the credit balance of the P. & L. A/c. which has been ear-marked as being "reserved." Such reserved profits are sometimes spoken of as *capitalised profits*, because they result in increasing the working capital. If at any subsequent time losses be sustained which cause the P. & L. A/c. to show a debit balance, any credit balance that there may be upon the Reserve Fund A/c. must be at once applied towards extinguishing this debit balance. There can be no real Reserve until any debit balance on the P. & L. A/c., or such assets as Preliminary Expenses, have been wiped out.

Where the Articles give power to form a Reserve for a special purpose, but no power to divert the same to another purpose, the Articles must be altered before such special Reserve can be legally dealt with in any other way. The *difference* between a Reserve Fund and a Reserve Fund A/c. must be carefully noted, the **Fund** referring to the actual **asset,** a **Dr. Balance,** while the **Account** merely relates to the *record of the amount* appropriated, which is a **Cr. Balance.** The £3000 shown in the Appropriation A/c. on page 469 would first be transferred to the Reserve Fund A/c., and should the amount be invested *outside* the business, the Investment would be recorded in a separate a/c. ; the amount of the **Account** appearing in the B/S. as a **liability** and the amount of the **Investment** as an **asset.**

**414.** The interest on a Reserve Fund Investment may either be credited to the P. & L. A/c. and distributed, or credited to the Reserve Fund A/c. and thus allowed to accumulate.

| Dr. | Reserve Fund A/c. | Cr. |
|---|---|---|
| | 1914—Dec. 31. By P. & L. A/c. | £3000 |

| Dr. | Reserve Fund Investment A/c. | Cr. |
|---|---|---|
| 1914—Dec. 31. | To Consols | £3000 |

**Balance Sheet** on 31st December, 1914.

| Liabilities. | | Assets. | |
|---|---|---|---|
| Reserve Fund A/c. | £3000 | Reserve Fund Investment : Consols | £3000 |

**415. Reserves** created for the purpose of **replacing Assets** or providing against diminishing values are charged *against* profits and are best dealt with as Sinking Funds or as a Depreciation Fund A/c., as mentioned in pars. 367, 421. While some authorities contend that a Reserve should be invested outside the business in " gilt-edged " securities, others maintain that such an investment is immaterial, so long as all the assets of the business are not stated at a figure in excess of their *real market value* ; and the amount of the Reserve is the genuine excess of Assets over Liabilities and capital.

It is quite possible for a firm to show an immense Reserve in their B/S., and still be insolvent by reason of the fictitious value given to the assets ; while a Reserve is no guarantee against the embarrassment caused by overtrading. The particular nature and circumstances of each business must determine whether it is desirable to invest the fund outside the business. In a financial undertaking, or a bank, it is manifestly necessary that the Reserve should exist in the form of liquid securities that can be realised to meet a run on the part of depositors or loan creditors ; also in the case of commercial concerns, where assets have to be replaced at intervals ; but in most business undertakings there is rarely any need for outside securities, the best investments being those revenue-producing properties connected with their own particular trade, as well as the advantage of being able to secure discount for cash purchases in preference to taking credit either on open a/cs. or bills payable. It would be foolishness indeed to invest a Fund at 5%, and at the same time borrow on Mortgage at 6%, the shareholders suffering a reduction of dividend ; while, in some cases, it might necessitate the issue of more capital, and so widen the area upon which dividends would have to be paid.

**416.** A **Secret, Hidden,** or **Inner Reserve,** differs from those previously described in that it is an *undisclosed surplus*, not appearing in the B/S., and generally exists without the knowledge of the shareholders. Such a Reserve is one existing by reason of the under-valuing of assets or the excessive statement of liabilities. The assets which are specially liable to be understated by reason of *appreciation* in value are, land, buildings kept in first-class repair, investments in stocks and shares, patents, copyright, goodwill ; the latter sometimes being omitted altogether. Excessive reserves for doubtful debts and discounts, &c., as well as excessive depreciations of assets may also be instanced. The most notable example, however, is that of the B/S. of the Bank of England, which does not disclose the value of the Bank Premises, which are worth several million pounds.

**417.** A **RECEIPTS & PAYMENTS ACCOUNT** is merely a **classified summary** of the Cash actually *received and paid*, as recorded in the Cash Book, for a stated period, opening and closing with the usual cash balance. These cash transactions may, of course, relate to both **capital** and **revenue**, and may affect both the *preceding* and *succeeding* period to that actually covered by the account, so that beyond showing the nature and magnitude of the cash transactions for the period, and verifying the cash balance as shown in the Balance Sheet, this account answers no useful purpose. Such a statement of Receipts and Payments must not be confounded with one of income and expenditure, for an *Income & Expenditure A/c.* often includes items that have *neither* been received nor paid. If *all* the income should have been received and all the expenditure paid in the form of cash, during a given period, then the

**Dr.** **CASH SUMMARY A/c.** **Cr.**

| Receipts. | £ | s. | d. |
|---|---|---|---|
| To Cash in hand, 1st Jan., 1914 | 2 | 2 | 6 |
| ,, Sales :— | | | |
| Grocery | 9624 | 3 | 6 |
| Drapery | 5898 | 11 | 1 |
| Boot & Shoe | 6123 | 5 | 8 |
| Coal | 5144 | 9 | 8 |
| ,, Rent | 56 | 2 | 8 |
| ,, Share Contributions | 677 | 8 | 6 |
| ,, Penny Bank Deposits | 304 | 2 | 10 |
| ,, Loan Deposits | 6905 | – | – |
| ,, Club Subscriptions | 44 | 3 | 3 |
| ,, Share Investments A/c. | 481 | 8 | 1 |
| ,, Bank Withdrawals | 2819 | 10 | 4 |
| | £38080 | 8 | 1 |

| Payments. | £ | s. | d. |
|---|---|---|---|
| By Purchases & Carriage :— | | | |
| Grocery | 7434 | 3 | 10 |
| Drapery | 4007 | 17 | 2 |
| Boot & Shoe | 5060 | 19 | 7 |
| Coal | 3384 | 14 | 9 |
| ,, Expenses :— | | | |
| Wages | 1862 | 3 | 4 |
| Fees | 15 | 10 | – |
| Deputations | 3 | 2 | 7 |
| Repairs | 128 | 3 | 6 |
| Rents, Rates & Taxes | 86 | 3 | 2 |
| Insurance | 12 | 2 | 7 |
| Coal, Gas & Water | 22 | 3 | 6 |
| Printing & Stationery | 67 | 2 | 9 |
| Travelling | 46 | 8 | 7 |
| Advertising | 28 | 2 | 7 |
| Horse Expenses | 62 | 1 | 9 |
| Law Costs | 13 | 4 | 2 |
| Sundries | 14 | 2 | 6 |
| ,, Dividend & Interest | 4317 | 2 | 8 |
| ,, Share Withdrawals | 394 | 11 | 7 |
| ,, Penny Bank Withdrawals | 297 | 12 | 6 |
| ,, Loan Withdrawals | 224 | 3 | 8 |
| ,, Club Withdrawals | 68 | 8 | 6 |
| ,, Land, Bldgs. & Fixtures | 4223 | – | – |
| ,, Bank Deposits | 6286 | 16 | 5 |
| ,, Cash in hand, 30th June, 1914 | 20 | 6 | 5 |
| | £38080 | 8 | 1 |

*Receipts & Payments A/c.* would, of course, truly represent, and be **identical** with the *Income & Expenditure A/c.* It is customary for Co-operative and Building Societies to publish a Cash A/c. as part of their Annual Report.

**418. INCOME & EXPENDITURE A/c.** is the special name given to the *Profit & Loss A/c.* or *Revenue A/c.* **of non-trading concerns** such as clubs, professional, trade, literary and scientific societies; political, social and religious associations. It is a classified summary of profit and loss transactions, showing on the **credit** side the entire **income** earned during a given period (whether actually received or not) and upon the **debit** side the **expenses** incurred in earning such income, and otherwise chargeable to the period (whether actually paid or not), the **difference** representing the net profit or loss for the period covered. When the *only asset* is *Cash*, and the account commences with the *Balance brought forward* from the previous period the *Opening Balance* must be deducted from the *Closing Balance* in order to ascertain the profit or loss for the period covered. For example, the first item below on the income side—£402 9 10, deducted from the final balance of cash, shows the profit for 1909 to be £97 7 11. When the **assets** consist of items other than *Cash*, it is advisable to prepare a **Balance Sheet,** to which the profit or loss should be carried, on the periodical closing of the books.

**THE CORPORATION OF ACCOUNTANTS, LTD.**

**Dr. Income and Expenditure A/c.** for the year ended 31st December, 1909. **Cr.**

| Expenditure. | £ | s. | d. | Income. | £ | s | d. |
|---|---|---|---|---|---|---|---|
| To Additions to Library | 6 | 2 | 5 | By Balance from 1908... | 402 | 9 | 10 |
| ,, Printing,Stationery,&c. | 83 | 12 | 4 | ,, Annual Subscriptions | 525 | 10 | – |
| ,, Stamps,BankChgs.,&c. | 26 | 11 | 4 | ,, Entrance Fees ..... | 131 | 15 | 6 |
| ,, Travelling Expenses | 49 | 6 | 6 | ,, Examination Fees ... | 90 | 16 | 6 |
| ,, Honorarium to Secy. | 150 | – | – | ,, Int.onDepositReceipts | 4 | 6 | 10 |
| ,, HonorariumtoAuditor | 4 | 4 | – | ,, Balance of Parliamentary Fund ..... | 60 | 14 | 1 |
| ,, Cost of Examinations | 131 | 13 | 1 | | | | |
| ,, District Societies .... | 214 | 5 | 4 | | | | |
| Circulating Magazine | 50 | – | – | | | | |
| BALANCE of Cash .. | 499 | 17 | 9 | | | | |
| | £1215 | 12 | 9 | | £1215 | 12 | 9 |

# THE BRISTOL SOCIETY OF CHARTERED ACCOUNTANTS.

## Dr. Income & Expenditure A/c. for the year ended 31st December, 1909. Cr.

| | £ s. d. | £ s. d. | | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| To Expenses of Library :— | | | By Subscriptions :— | | |
| Rent | 40 - - | | 38 Members in Practice | 39 18 - | |
| Accountants' Magazine | 4 3 1 | | 3 Members not in Practice | 1 11 6 | 41 9 6 |
| Printing and Stationery | 7 11 1 | | | | |
| Incidentals | 3 1 3 | 54 15 5 | „ Institute of Chartered Accountants :— | | |
| | | | Grant for 1909 | | 50 - - |
| „ Expenses of Annual Lecture | | 4 12 6 | „ Bristol Chartered Accountants' Students Society :— | | |
| „ Depreciation :— | | | For use of Room | | 5 - - |
| Books, 5% on £254 7 8 | 12 14 5 | | | | |
| Furniture, &c., 10% on £108 15 5 | 10 17 6 | 23 11 11 | | | |
| „ CAPITAL A/c. :— | | | | | |
| BALANCE transferred | | 13 9 8 | | | |
| | | £296 9 6 | | | £296 9 6 |

## Balance Sheet on 31st December, 1909.

| Liabilities. | £ s. d. | £ s. d. | Assets. | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| Sundry Creditors :— | | | Literary Books :— | | |
| Tribe, Clarke & Co. | 47 1 8 | | Per last Statement | 122 19 10 | |
| Curtis, Jenkins & Co. | 4 12 9 | | Additions this year | 15 3 - | |
| J. J. Thomas | 10 19 8 | | | 138 2 10 | |
| M. V. Brazier | 1 19 6 | 64 13 7 | *Less* Depreciation this year | 12 14 5 | 125 8 5 |
| CAPITAL A/c. :— | | | Library Furniture & Fittings :— | | |
| Per last Statement | 268 15 3 | | Per last Statement | 89 15 7 | |
| Income & Expenditure A/c. | 13 9 8 | 282 4 11 | Additions this year | 2 16 1 | |
| | | | | 92 11 8 | |
| | | | *Less* Depreciation this year | 10 17 6 | 81 14 2 |
| | | | Cash at Bank | | 139 15 11 |
| | | £346 18 6 | | | £346 18 6 |

# THE ROADS IMPROVEMENT ASSOCIATION (Incorporated).

**Dr.** **Income & Expenditure A/c.** for the year ended 31st December, 1908. **Cr.**

| Expenditure. | £ s. d. | £ s. d. |
|---|---|---|
| To Rent, Lighting and Cleaning | | 87 7 11 |
| ,, Assistant Secretary's Salary | | 130 - - |
| ,, International Road Congress (Printing, Stand, &c.) | 38 2 4 | |
| *Less* Donations Received | 13 8 9 | 24 13 7 |
| ,, Tar Spreading Trials | 75 3 - | |
| *Less* Donations Received | 55 17 - | 19 6 - |
| ,, Printing & Stationery | | 39 10 4 |
| ,, Office Furniture | | 13 5 9 |
| ,, Stamps, Telegrams and Carriage | | 21 10 - |
| ,, Subscription to Press Cutting Agency | | 4 4 - |
| ,, Printing Forms for insertion in "C.T.C." Gazette | | 8 8 - |
| ,, Hon. Secretary's Exs. & Disbursements | | 20 - - |
| ,, Newspapers, Insurance & Sundries | | 1 5 7 |
| ,, Auditors' Fee | | 2 2 - |
| ,, BALANCE carried forward :— | | |
| General | 486 12 2 | |
| Subscriptions paid in advance | 5 13 - | |
| London-Newhaven Road Fund | 12 1 - | |
| Earlswood Common Hill Fund | 5 15 - | |
| Life Members' Subscriptions | 29 8 - | |
| Five-yearly Subscriptions A/cs.—*Less* proportion charged to this year's Receipts | 25 8 2 | |
| | 564 17 4 | |
| Petty Cash | 1 13 11 | 566 11 3 |
| | | £938 4 5 |

| | £ s. d. | £ s. d. |
|---|---|---|
| By BALANCE from 1907 :— | | |
| General | 511 7 8 | |
| Subscriptions paid in advance | 1 - - | |
| London-Newhaven Road Fund | 12 1 - | |
| Earlswood Common Hill Fund | 5 15 | |
| Life Members' Subscriptions | 29 8 - | |
| Five-yearly Subscriptions A/c. | 5 17 7 | |
| | 565 9 3 | |
| Petty Cash | 5 2 3 | 570 11 6 |
| *Deduct* : Subscriptions received during 1907 for the year 1908; included in this year's Receipts | 1 - - | |
| Proportion of Five-yearly Subscription A/cs. chargeable to this year's Revenue | 1 9 5 | 2 9 5 |
| **General Income.** | | 568 2 1 |
| To Members' Subscriptions, viz. :— | | |
| 279 Members' Subscriptions @ 5/- | 69 15 - | |
| Subscriptions paid in advance | 5 13 - | |
| Five-yearly Subscriptions | 26 5 - | |
| Five-yearly Subscriptions A/c., proportion transferred | 1 9 5 | 103 2 5 |
| ,, Receipts from Motor Clubs | | 204 2 6 |
| ,, Donations from Individuals | | 48 13 - |
| ,, Sale of Pamphlets | | 9 15 6 |
| ,, Interest on Deposit | | 4 8 11 |
| | | £938 4 5 |

# THE POLITICAL CLUB, LIMITED.

## Dr. Income & Expenditure A/c. for the year ended 31st December, 1909. Cr.

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To Salaries and Wages | 625 | 8 | 5 | By Annual Subscriptions | 876 | 10 | - |
| ,, Rent, Rates and Taxes | 261 | - | 4 | ,, Profit from Provisions (after maintenance of staff), Wines, Spirits, Beer, Stout, Mineral Waters, Cigars and Cigarettes | 665 | 9 | 11 |
| ,, Fuel and Lighting | 206 | 1 | - | ,, Profit from Cards | 17 | 10 | 9 |
| ,, Printing, Stationery and Postages | 25 | 18 | 2 | ,, Profit from Billiards | 417 | 2 | 2 |
| ,, Newspapers and Magazines | 28 | 18 | 11 | ,, Bank Interest | 33 | 9 | 10 |
| ,, Repairs and Renewals | 329 | 8 | 10 | | | | |
| ,, Washing | 113 | - | 10 | | | | |
| ,, General Household Expenses and Petty Cash | 73 | 10 | 10 | | | | |
| ,, Debenture Interest | 17 | 15 | 5 | | | | |
| ,, Provision for re-decoration | 120 | - | - | | | | |
| ,, PROFIT transferred to Capital A/c. | 208 | 19 | 10 | | | | |
| | £2010 | 2 | 8 | | £2010 | 2 | 8 |

## Balance Sheet on 31st December, 1909.

| Liabilities. | £ | s. | d. | Assets. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Debentures bearing 3% Interest | 600 | - | - | Structural Alterations, Furniture, Fittings, Decorations, Glass, China, and Table and House Linen | 875 | 3 | 1 |
| Sundry Creditors | 693 | 9 | - | Stocks on hand, &c. | 153 | 12 | - |
| Life Membership A/c. | 94 | 10 | - | Cash in Bank | 1251 | 3 | 9 |
| Re-decoration Fund | 120 | - | - | | | | |
| CAPITAL A/c.:— | | | | | | | |
| Balance, 1st January, 1909 £563 - - | | | | | | | |
| PROFIT for 1909, as per Income & Expenditure A/c. 208 19 10 | 771 | 19 | 10 | | | | |
| | £2279 | 18 | 10 | | £2279 | 18 | 10 |

# THE INCORPORATED SOCIETY OF AUTHORS.

**Dr.** **Income & Expenditure A/c.** for the year ended 31st December, 1909. **Cr.**

| | £ s. d. | £ s. d. |
|---|---|---|
| To Management Expenses :— | | |
| Postages and Telegrams | 94 11 4 | |
| Housekeeper | 18 6 1 | |
| Typewriting | 8 17 11 | |
| Travelling Expenses | 7 1 11 | |
| Audit Fee & Accountants' Charges | 14 6 6 | |
| Telephone | 6 10 - | |
| Miscellaneous Expenses | 36 10 1 | 180 3 10 |
| ,, Rent & Electric Light | | 110 15 7 |
| ,, Salaries :— | | |
| General | 576 17 6 | |
| Editor of *Author* | 100 - - | 676 17 6 |
| ,, Stationery & Printing | | 120 13 - |
| ,, Expenses of Publications :— | | |
| Composition, Printing, &c. | 230 3 5 | |
| Articles, &c., *Author* | 26 18 - | |
| Slip Notices, &c. | 21 7 10 | |
| Postages, &c. | 99 6 8 | |
| Prospectuses & Lists of Members | 31 3 - | 408 18 11 |
| ,, Printing Annual Report | | 21 18 - |
| ,, Readers' Fees & Translations | | 43 19 - |
| ,, Annual Dinner | | 56 6 8 |
| ,, Legal Expenses | | 1048 2 6 |
| ,, Depreciation A/c. | | 25 13 - |
| | | £2699 8 - |

| | £ s. d. | £ s. d. |
|---|---|---|
| By Annual Subscriptions | | 1923 14 6 |
| ,, Proceeds of Publications :— | | |
| Subscriptions & Donations to *Author* | 81 4 - | |
| Sale of Sundry Publications | 5 18 6 | 87 2 6 |
| ,, Advertisements in *Author* | 45 5 6 | |
| *Less* Commission paid and due | 12 6 5 | 32 19 1 |
| ,, Dividends on Investments, viz. :— | | |
| £268 L. & Y. Railway 3% Stock | 7 12 6 | |
| £240 Staffs. County 3% Stock | 6 16 3 | |
| £521 7 3 Consols 2½% | 12 6 8 | |
| £150 War Stock 2¾% | 4 2 4 | |
| £274 1 3 West Australian Government 3½ % Stock | 9 1 6 | |
| £117 17 9 Croydon 3½% Stock | 3 18 2 | |
| £397 15 4 London County 3% Stock | 4 18 2 | 48 15 7 |
| ,, Readers' Fees and Translations | | 39 15 - |
| ,, Scenario Registration Fees | | 2 7 6 |
| ,, Dinner (Annual) | | 55 12 6 |
| ,, LOSS transferred to Capital A/c. | | 509 1 4 |
| | | £2699 8 - |

## DOUBLE ACCOUNT SYSTEM. (See par. 419).

### The Twentieth Century Coal Company, Limited.

**Dr.** **Capital Account** for the year ended 31st December, 1912. **Cr.**

| Nature of Expenditure. | Outlay to 31st Dec., 1911. | Expended this year. | Total. | Nature of Receipt. | Rec'd to 31st Dec., 1911. | Received during year. | Total. |
|---|---|---|---|---|---|---|---|
| To Preliminary and Parliamentary Expenses | 5000 | | 5000 | By Ordinary Shares of £10 each | 50000 | | 50000 |
| ,, Offices, sheds, cottages, and workshops | 15000 | | 15000 | ,, Preference Shares of £10 each | 50000 | | 50000 |
| ,, Sinking shafts, heapsteads, screens, etc. | 41875 | 20000 | 61875 | ,, Premium on Shares | 2500 | | 2500 |
| ,, Siding accommodation, underground and surface engines, pulleys, locomotives, wagons, staiths, etc. | 55000 | 7850 | 62850 | ,, Debentures | 30000 | 30000 | 60000 |
| ,, *Balance* | | | 17775 | | | | |
| | £116875 | £27850 | £162500 | | £132500 | £30000 | £162500 |

### General Balance Sheet for the year ended 31st December, 1912.

| *Liabilities.* | | £ | *Assets.* | | £ |
|---|---|---|---|---|---|
| CAPITAL A/c.:—Credit Balance | | 17775 | Materials and Stores | | 4000 |
| Sundry Creditors:— | | | Minerals | | 7000 |
| On Bills Payable | £6350 | | Sundry Debtors | £5100 | |
| ,, Open Accounts | 3000 | | *Less* bad and doubtful debts | 100 | |
| | | 9350 | | | 5000 |
| Reserve Fund | | 10000 | Bills Receivable | | 3000 |
| Depreciation Fund | | 5000 | Cash at Bank | | 65625 |
| REVENUE A/c.:—Credit Balance | | 55000 | Investments | | 12500 |
| | | £97125 | | | £97125 |

# NORTH EASTERN RAILWAY COMPANY.

**Dr.** **No. 10. Receipts and Expenditure in respect of Railway Working.** **Cr.**

| See Abstr'cts | Expenditure. | £ s. d. | Per Cent. | See Abstr'cts | Receipts. | £ s. d. | £ s. d. | Per Cent. |
|---|---|---|---|---|---|---|---|---|
| A | Maintenance and Renewal of Way and Works | 1019249 18 – | 9.11 | | Passenger Train Traffic— Ordinary Passengers:— | | | |
| B | Maintenance and Renewal of Rolling Stock:— | | | | First Class | 205252 18 9 | | |
| | (1) Locomotives £ 676067 9 6 | | 6.04 | | Third Class | 2577235 7 5 | 2782488 6 2 | |
| | (2) Carriages 331599 18 3 | | 2.96 | | Season Tickets:— | | | |
| | (3) Wagons 855059 9 3 | 1862726 17 – | 7.64 | | First Class | 88452 6 2 | | |
| | | | 16.64 | | Third Class | 207147 19 8 | 295600 5 10 | |
| C | Locomotive Running Expenses 1351040 15 5 | | 12.07 | | Workmen's Tickets | | 56647 12 11 | |
| D | Traffic Expenses 2093861 – 9 | 3444901 16 2 | 18.71 | | Total Receipts from Passengers | | 3134736 4 11 | |
| | | | 30.78 | | Mails | | 71189 – 0 | |
| E | General Charges | 192270 3 10 | 1.72 | | Parcels up to 2 cwt., Parcels Post and Excess Luggage | 403269 10 2 | | |
| | Law Charges | 11445 18 – | .10 | | Other Merchandise by Passenger Trains | 234684 13 9 | | |
| | Parliamentary Expenses | 4500 – – | .04 | F | | 637954 3 11 | | |
| | Compensation (Accidents & Losses) Passengers 5665 16 4 | | .05 | | *Less* Expenses of Collection and Delivery | 25272 18 9 | 612681 5 2 | |
| | Workmen 25397 – 3 | | .23 | | Total Passenger Train Receipts | | 3818606 10 7 | 24.12 |
| | Damage & Loss of Goods, Property, &c. 37833 3 2 | 68895 19 9 | .34 | | Goods Train Traffic:— | | | |
| | | | .62 | | Merchandise | 2995867 9 11 | | |
| | Rates | 446229 12 1 | 3.93 | | *Less* Expenses of Collection and Delivery | 181324 – 1 | | |
| | Taxes | 155 1 – | .. | | | 2814543 9 10 | | |
| | Tithe Rent Charges | 1444 9 10 | .01 | | Live Stock | 115862 9 3 | | |
| | Government Duty | 13600 4 3 | .12 | | Coal, Coke and Patent Fuel | 2954299 9 6 | | |
| | National Insurance Act, 1911:— Health 31652 8 2 | | .28 | | Other Minerals | 1489993 2 3 | | |
| | Unemployment 3945 14 10 | 35598 3 – | .04 | | Total Goods Train Receipts | | 7374698 10 10 | 65.88 |
| | | | .32 | | Total Traffic Receipts | | 11193305 1 5 | 100.00 |
| G | Running Powers (Balance) | 105545 – 5 | .94 | H | Mileage, Demurrage & Wagon Hire (Balance) | | 12632 4 7 | |
| | Total Traffic Expenditure | 7200563 3 4 | 64.33 | J | Joint Lines | | 13468 15 3 | |
| J | Joint Lines | 7647 5 8 | | | Miscellaneous | | 95723 11 5 | |
| | Miscellaneous | 12573 14 6 | | | | | | |
| | Total Expenditure | 7220784 3 6 | | | | | | |
| | Net Receipts | 4094345 9 2 | | | | | | |

# NORTH EASTERN RAILWAY COMPANY.

## No. 9. Proposed Appropriation of Net Income.

| | £ s. d. | £ s. d. |
|---|---|---|
| Balance brought forward from last year's Account | | 128036 6 4 |
| Net Income (as per Statement No. 8) | | 4454967 15 3 |
| | | 4583004 1 7 |
| Deduct—Interest, Rentals, and other Fixed Charges :— | | |
| Interest on Superannuation and other Funds | 50544 12 5 | |
| Rent Charges (or feu duties) and Annuities | 6750 2 3 | |
| Chief Rents, Wayleaves, &c., including Lump-sum Tolls | 34671 13 5 | |
| West Hartlepool Primary Charges | 1547 10 – | |
| Interest on Debenture Stock | 722842 1 7 | |
| Rent of and Guaranteed Interest on Leased and Worked Lines :— £ s. d. | | |
| Rent of Great North of England, Clarence and Hartlepool Junction Railway. 2789 7 6 | | |
| Rent of Scarborough, Bridlington and West Riding Junction Railway ..... 10000 – – | | |
| | 12789 7 6 | |
| General Interest | 81874 18 4 | |
| Interest on Temporary Loans | 3809 3 10 | |
| Joint Lines—Abstract J—Company's Proportion | 40 – 2 | 914869 9 6 |
| Balance after payment of Fixed Charges | | 3668134 12 1 |
| Appropriation to Reserve and other Special Purposes :— | | |
| Reserve for Pensions | 50000 – – | |
| General Reserve Fund | 50000 – – | |
| Suspense Account—Renewals and Contingencies | 50000 – – | |
| Reserve for Revenue Charges in respect of Electric Equipment of Lines | 150000 – – | 300000 – – |
| | | 3368134 12 1 |
| Dividends on Guaranteed and Preference Stocks :— | | |
| Great North of England Purchase Shares at 4% per annum | 1469 1 4 | |
| North Eastern Railway Guaranteed Stock at 4% per annum | 338676 2 4 | |
| North Eastern Railway Preference Stock at 4% per annum | 659900 9 8 | 991045 13 4 |
| Balance available for Dividend on Consols | | £2377088 18 9 |
| Dividend on North Eastern Consols at 7% per annum | 2242141 14 9 | |
| Balance carried forward to next year's Account | 134947 4 – | |

# NORTH EASTERN RAILWAY COMPANY.

**Dr.** No. 4. **Receipts and Expenditure on Capital Account.** **Cr.**

| To Expenditure :— | Amount expended to 31st Dec., 1912. £ s. d. | Amount expended during year as per No 5 £ s. d. | Total. £ s. d. |
|---|---|---|---|
| Lines open for Traffic | 55919204 8 1 | 199869 11 11 | 56119074 – – |
| Lines not open for Traffic— | | | |
| New Lines | 114572 7 4 | 57868 8 2 | 172440 15 6 |
| Widenings of and additions to existing Lines | 26630 18 9 | 5660 11 4 | 32291 10 1 |
| Lines leased | 24246 16 1 | 65 – – | 24311 16 1 |
| Lines jointly owned | 810243 1 1 | 17726 3 4 | 827969 4 5 |
| Rolling Stock | 14138609 17 – | 120000 – – | 14258609 17 – |
| Manufacturing & Repairing Works and Plant :— | | | |
| Land and Buildings | 838535 9 9 | 35700 – 11 | 874235 10 8 |
| Plant and Machinery | 357420 – – | 1533 2 9 | 358953 2 9 |
| Total Capital expended upon Railway | 72229462 18 1 | 438422 18 5 | 72667885 16 6 |
| Canals | 57114 14 3 | | 57114 14 3 |
| Docks, Harbours & Wharves | 9225078 13 11 | 258729 2 6 | 9483807 16 5 |
| Hotels | 352877 5 – | | 352877 5 – |
| Electric Power Stations, &c. | 49813 12 1 | 447 18 3 | 50261 10 4 |
| Land, Property, &c., not forming part of the Railway or Stations :— | | | |
| Used in connection with Railway working | 68531 16 9 | 319 13 9 | 68851 10 6 |
| Not used in connection with Railway working | 1779643 7 – | 3936 1 4 | 1783579 8 4 |
| Subscriptions to other Companies (for details see Table No. 4 : (a)) | 398450 – – | | 398450 – – |
| £ | 84160972 7 1 | 701855 14 3 | 84862828 1 4 |

| By Receipts :— | Amount received to 31st Dec., 1912 £ s. d | Amount received during year. £ s. d. | Total. £ s. d. |
|---|---|---|---|
| Shares and Stocks (No. 2) | 55777303 5 4 | 17195 – – | 55794498 5 4 |
| Debenture Stock (No. 3) | 18493090 – – | 3535 – – | 18496625 – – |
| West Hartlepool Account "Primary Charges" | 62400 – – | 1000 – – Paid off | 61400 – – |
| £ s. d. | | | |
| Premiums on Shares and Stocks 5402661 3 – | | | |
| Premiums on Debenture Stocks. 686430 4 1 | | | |
| Total Premiums 6089091 7 1 | | | |
| Discounts on Shares and Stocks 44 – 5 | | | |
| Discounts on Debenture Stock 149356 4 1 | | | |
| Total Discounts 149400 4 6 | | | |
| Balance of Premiums and Discounts | 5937683 18 9 | 2007 3 10 | 5939691 2 7 |
| £ | 80270477 4 1 | 21737 3 10 | 80292214 7 11 |
| By BALANCE | | | 4570613 13 5 |
| £ | | | 84862828 1 4 |

No. 18. **General Balance Sheet of The NORTH EASTERN RAILWAY COMPANY**
for the year ended 31st December, 1913.

| | £ s. d. | £ s. d. |
|---|---|---|
| Temporary Loans | 115000 - - | |
| Unpaid Interest and Dividends | 19514 9 8 | |
| Interest and Dividends payable or accruing and provided for | 361447 10 6 | |
| Amount due to Railway Companies and Committees | 38462 1 11 | |
| Savings Banks | 1095642 5 - | |
| Superannuation and other Provident Funds | 1405003 - 6 | |
| Accounts Payable | 178327 5 5 | |
| Liabilities Accrued | 122263 7 8 | |
| Miscellaneous Accounts | 361240 3 10 | |
| Insurance Fund | 532911 10 9 | |
| General Reserve Fund | 420000 - - | |
| Suspense Account—Renewals and Contingencies | 1367875 16 11 | |
| Balance available for Dividends and Reserve as per Account No. 9 ... £3668134 12 1 | | |
| Less, Interim Dividends paid as per Statement No. 9 (*a*) ... 1376089 17 2 | 2292044 14 11 | |
| £ | 8309732 7 1 | |
| Capital A/c.:—Balance at Debit thereof as per Account No. 4 | | 4570613 13 5 |
| Cash at Bankers and in hand | | 108394 8 1 |
| Investments in Consols and Government Securities | | 6361 17 6 |
| Investments in Stocks and Shares held by the Company not charged as Capital Expenditure ... | | 7000 - - |
| Hull Joint Dock—Hull and Barnsley Railway Advance Account | | 977978 1 1 |
| Stock of Stores and Materials | | 1407915 - 11 |
| Outstanding Traffic Accounts | | 825958 9 11 |
| Amount due by Railway Companies & Committees | | 76243 7 10 |
| Amount due by Railway Clearing Houses | | 9388 18 1 |
| Amount due by Postmaster-General | | 19641 18 5 |
| Accounts Receivable | | 18853 8 5 |
| Miscellaneous Accounts | | 281383 3 5 |
| £ | | 8309732 7 1 |

No. 8. **REVENUE RECEIPTS and EXPENDITURE of the whole undertaking.**

| | Gross Receipts. £ s. d. | Expenditure. £ s. d. | Net Receipts. £ s. d. |
|---|---|---|---|
| Railway | 11315129 12 8 | 7220784 3 6 | 4094345 9 2 |
| Omnibuses and other Passenger Vehicles not running on the Railway | 17552 1 7 | 17063 14 - | 488 7 7 |
| Canals | 475 7 1 | 1930 3 8 | Dr. 1454 16 7 |
| Docks, Harbours, and Wharves | 717237 17 5 | 514213 18 5 | 203023 19 - |
| Hotels and Refreshment Rooms and Cars where Catering is carried on by the Company | 184972 3 8 | 165286 17 7 | 19685 6 1 |
| £ | 12235367 2 5 | 7919278 17 2 | 4316088 5 3 |
| Miscellaneous Receipts (Net):— | | | |
| Rents from Houses and Lands | | | 64124 14 3 |
| Other Rents, including Lump Sum Tolls | | | 57932 12 - |
| Interest and Dividends from Investments in other Companies:— | | £ s. d. | |
| Cockermouth, Keswick and Penrith Railway Company | | 687 10 - | |
| Sunderland Dock Company | | 4078 10 - | |
| Wilson's and N.E.R. Shipping Company, Ld. | | 4125 - - | |
| Hull and Netherlands Steam Shipping Company, Ld. | | 6228 - - | 15119 - - |
| Transfer Fees:— | | | 1564 4 11 |
| Joint Lines—Abstract —Company's proportion of Receipts, other than in respect of Railway Working | | | 138 18 10 |
| TOTAL NET INCOME | | £ | 4454967 15 |

# Revenue A/c. of the Hunslet Gas Co., Ltd.,

for the year ended 31st December, 1912.

| Dr. | £ | £ | Cr. | £ | £ |
|---|---|---|---|---|---|
| *To Manufacture of Gas* :— | | | *By Sale of Gas* :— | | |
| Coals, including dues, carriage, unloading, and all Expenses of depositing same on Works | 11000 | | Common Gas (99,000,000 cubic feet) at 3/4 per 1000 cubic feet | 16500 | |
| Purifying Materials, Oil, Water, and Sundries at Works | 400 | | Cannel Gas ( cubic feet) at per 1000 cubic feet | | |
| Salaries of Engineers, including Chief Engineer (if any) Superintendents, and Officers at Works | 400 | | Public Lighting and Under Contracts | 2000 | |
| Wages and Gratuities at Works | 1500 | | | 18500 | |
| Repairs and Maintenance of Works and Plant (including Renewal of Retorts), Machines, Apparatus, Tools, Materials and Labour | 3750 | | Rental of Meters | 500 | 19000 |
| | 17050 | | | | |
| *Less* Old Materials Sold | 150 | 16900 | „ *Residual Products* :— | | |
| | | | Coke, less Labour and Cartage | 3200 | |
| „ *Distribution of Gas* :— | | | Breeze | 100 | |
| Salaries of Surveyor, Chief Inspector, Inspectors, Assistant Inspectors, and Clerks in Light Office | 300 | | Tar | 1000 | |
| Repairs, Maintenance, and Renewal of Mains and of Service Pipes, including Materials, Laying and Paving, and Labour | 400 | | Ammoniacal Liquor | 700 | 5000 |
| Repairing, Renewing and Refixing Meters | 500 | 1200 | „ *Gross Profit on Fittings* | | 800 |
| | | | „ *Transfer Fees* | | 50 |
| „ *Public Lamps* :— | | | | | |
| Lighting and Repairing | | 500 | | | |
| „ *Rents, Rates, and Taxes* :— | | | | | |
| Rents | 50 | | | | |
| Rates and Taxes | 700 | 750 | | | |
| „ *Management* :— | | | | | |
| Directors' Allowances | 400 | | | | |
| Salaries of Secretary, Accountant and Clerks, Office Keepers, and Messengers | 200 | | | | |
| Collectors' Commission or Salaries | 400 | | | | |
| Stationery and Printing | 100 | | | | |
| General Establishment Charges and Incidentals | 200 | | | | |
| Auditor | 50 | 1350 | | | |
| „ *Law and Parliamentary Charges* :— | | | | | |
| Law | 100 | | | | |
| Parliamentary (Oppositions) | | 100 | | | |
| „ *Depreciation Fund* for Works on Leasehold Lands | | 50 | | | |
| „ *Bad Debts* | | 50 | | | |
| *Total Expenditure* | | 20900 | | | |
| „ ***BALANCE carried to Profit & Loss A/c.*** | | 3950 | | | |
| | £ | 24850 | **Total Receipts** | £ | 24850 |

## Receipts and Expenditure on Capital A/c. of The Hunslet Gas Co., Ltd.,

**Dr.** for the year ended 31st December, 1912. **Cr.**

| | Amount expended to 31st Dec., 1911. | Amount expended this year. | Total. | | Amount received to 31st Dec., 1911. | Amount received during year. | Total. |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | | £ | £ | £ |
| To EXPENDITURE to 31st December, 1912, viz.: | | | | By Ordinary Shares of £10 each ... | | 10000 | 10000 |
| ,, Lands acquired, including Law Charges ..... | 2000 | | 2000 | ,, Ordinary Stock ..... | 10000 | | 10000 |
| ,, New Buildings, Manufacturing Plant, Machines, Storage Works, and other Structures connected with manufacture ..... | 30000 | 10000 | 40000 | ,, Second Preference Stock ..... | 10000 | | 10000 |
| | | | | ,, First Preference Stock ..... | 15000 | | 15000 |
| | | | | ,, Debenture Stock ..... | 10000 | | 10000 |
| ,, New Mains and Service Pipes (not being in place of old ones), including laying same, paving and other works connected with distribution ..... | 15000 | 5000 | 20000 | ,, Premiums on Issue of Shares on Stock ..... | 5000 | 10000 | 15000 |
| ,, New Meters (not in place of old ones), including fixing ..... | 1000 | 1000 | 2000 | | | | |
| , Cost of promoting Special Act ..... | 2500 | | 2500 | | | | |
| Total Expenditure.....£ | 50500 | 16000 | 66500 | Total Receipts .....£ | 50000 | 20000 | 70000 |
| BALANCE of Cap. A/c. ..... | | | 3500 | | | | |
| | | £ | 70000 | | | £ | 70000 |

## Profit & Loss A/c. (Net Revenue) of The Hunslet Gas Co., Ltd.,

**Dr.** for the year ended 31st December, 1912. **Cr.**

| | £ | £ | | £ | £ |
|---|---|---|---|---|---|
| To Amount carried to Reserve Fund A/c. (if any) from Profits of 1911 | | | By Balance of Net Profit brought from last Account (31st December, 1911) | 1500 | |
| „ Interest on Temporary Loans, and Moneys received in anticipation of Calls | | 200 | *Less* Dividends paid for the half-year ended 31st December, 1911 | 1150 | 350 |
| „ Ditto on Debenture Stock accrued to 31st December, 1912 | | 350 | | | |
| „ Half-year's Dividend on First Preference Stock to 30th June, 1912, at 5% | 375 | | „ Balance brought from Revenue A/c., being Profit for year to December, 1912 | | 3950 |
| „ Ditto, Second Preference Stock to ditto, at 5½% | 275 | | „ Interest on Moneys deposited | | |
| „ Ditto, on Ordinary Stock at 10% | 500 | 1150 | | | |
| „ BALANCE of NET PROFIT to be carried to next Account, subject to half-year's Dividends to 31st December, 1912 | | 2600 | | | |
| | £ | 4300 | | £ | 4300 |

## General Balance Sheet on 31st December, 1912.

| Liabilities. | £ | Assets. | £ | £ |
|---|---|---|---|---|
| CAPITAL A/c.:—Balance at credit thereof | 3500 | Cash at Bankers | | 2450 |
| PROFIT & LOSS A/c.:—Balance at credit thereof | 2600 | Coals for Stock on hand, 31st December, 1912 | 700 | |
| Reserved Fund:—Balance at credit thereof | 2060 | Coke & Breeze, 31st December, 1912 | 75 | |
| Depreciation Fund (for works on leasehold lands):—Balance at credit thereof | 500 | Tar and other products | 100 | |
| | | Sundry Stores | 1200 | 2075 |
| Unpaid Dividends | | | | |
| Interest accrued and unpaid on Mortgages, Bonds and Debenture Stock, and other Loans to 31st December, 1912 | 175 | Gas and Meter Rental: balance of this Account due to the Company on 31st December, 1912, less deposits and prepayments | 4750 | |
| Sundry Tradesmen and others, for amount due for Coals, Stores, &c., to 31st December, 1912 | 4000 | Gas Fittings (ditto) | 600 | |
| Wages and Sundries:—Amount due to 31st December, 1912 | 500 | Coke and other residuals, 31st December, 1912 | 700 | 6050 |
| | | Rates, &c., paid in advance | | 200 |
| | | Investments, viz.:—Consols | | 2560 |
| £ | 13335 | | £ | 13335 |

## Revenue Account of the Ripon Electric Lighting Co., Ltd.,

**Dr.** for the year ended 31st December, 1911. **Cr.**

| | £ | £ | | £ | £ |
|---|---|---|---|---|---|
| *Generation :—* | | | By Sale of Current to Private Consumers | 9000 | |
| To Fuel | 1700 | | „ Public Lighting | 1000 | 10000 |
| „ Oil, Waste, Water and Engine Room Stores | 300 | | | | |
| „ Salaries | 150 | | „ Rental of Meters and other Apparatus on Consumers' Premises | 195 | |
| „ Wages | 600 | | „ Sale and Repairs of Lamps, Arc or Incandescent | | |
| „ Repairs and Maintenance :— | | | „ Sale and Repairs of other Apparatus | 10 | 205 |
| Buildings | 15 | | | | |
| Engines | 35 | | „ Test Fees | | 2 |
| Dynamos | 27 | | | | |
| Other Machinery | 20 | | | | |
| Accumulators | 4 | | | | |
| Station Lighting | 6 | 2857 | | | |
| *Distribution :—* | | | | | |
| To Salaries | 70 | | | | |
| „ Wages | 100 | | | | |
| „ Repairs and Maintenance :— | | | | | |
| Apparatus on Consumers' Premises | 15 | | | | |
| Mains | 35 | 220 | | | |
| *Public Lamps :—* | | | | | |
| To Attending and Repairs | | 3 | | | |
| *Rents, Rates and Taxes :—* | | | | | |
| To Rents Payable | 50 | | | | |
| „ Rates and Taxes | 220 | 270 | | | |
| *Management Expenses :—* | | | | | |
| „ Directors' Remuneration | 100 | | | | |
| „ Salaries | 500 | | | | |
| „ Stationery and Printing | 40 | | | | |
| „ General Establishment Charges | 225 | | | | |
| „ Law Charges | 12 | | | | |
| „ Insurances | 2 | | | | |
| „ Audit Fees | 20 | 899 | | | |
| To BALANCE, being Net Profit | | 5958 | | | |
| | £ | 10207 | | £ | 10207 |

## Receipts and Expenditure on Capital A/c. of the Ripon Electric Lighting Co., Ltd.,

**Dr.** for the year ended 31st December, 1911. **Cr.**

| | Amount expended to 31st December, 1910. | Amount expended this year. | Total. | | Amount received to 31st December, 1910. | Amount received during year. | Total. |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | | £ | £ | £ |
| *To Expenditure to 31st December*, 1910 ..... | | | | By Ordinary Shares of £10 ..... | 30000 | | 30000 |
| *Expenditure since that date* ..... | | | | ,, Do. do. £ ..... | | Nil. | |
| | | | | ,, Preference Shares of £10 .... | 25000 | | 25000 |
| To Lands, including Law Charges incidental to acquisition ..... | 6000 | | 6090 | ,, Debenture Stock ..... | | | |
| ,, Buildings ..... | 7400 | 140 | 7540 | ,, Mortgages and Bonds ..... | | | |
| ,, Machinery ..... | 15000 | 100 | 15100 | ,, Amounts received in anticipation of Calls ..... | | | |
| ,, Accumulators at Generating and Distributing Stations ..... | 2000 | 65 | 2065 | ,, Sale of Patents or Patent Rights, &c. ..... | | | |
| ,, Mains, including cost of laying the Mains..... | 10000 | 185 | 10185 | ,, Other Receipts (to be specified) | | | |
| ,, Transformers, Motors, &c. ..... | 500 | 65 | 565 | | | | |
| ,, Meters, and Fees for Certifying under the Act | 1500 | 20 | 1520 | | | | |
| ,, Electrical Instruments, &c. ..... | 150 | 10 | 160 | | | | |
| ,, Office Furniture, &c. ..... | 50 | | 50 | | | | |
| ,, Tools ..... | 30 | 10 | 40 | | | | |
| ,, Cost of Licence, Provisional Order, &c. ..... | 5000 | | 5000 | | | | |
| ,, Public Lamps ..... | | 14 | 14 | | | | |
| Total Expenditure ..... | 47630 | 609 | 48239 | | | | |
| BALANCE of Capital A/c. ..... | | | 6761 | | | | |
| | | £ | 55000 | | £ 55000 | Nil. | 55000 |

## Net Revenue A/c. of The Ripon Electric Lighting Co., Ltd.,

**Dr.** for the year ended 31st December, 1911. **Cr.**

| | £ | | £ | £ |
|---|---|---|---|---|
| To Interest on Debentures accrued due to date ..... | | By Balance from last A/c. ..... | 6000 | |
| „ Interest on Mortgages and Bonds accrued due to date ..... | | *Less* Dividend paid ..... | 3300 | 2700 |
| „ Interest on Temporary Loans accrued due to date... | | „ Amount carried forward ..... | | 5958 |
| „ Dividend on Preference Stocks ..... | 1500 | „ Balance brought from Revenue A/c. ..... | | 120 |
| „ BALANCE applicable to Dividend on Ordinary Stock or Shares ..... | 7508 | „ Interest on Money at Deposit ..... | | 230 |
| | | „ Dividends ..... | | |
| | £9008 | | | £9008 |

## General Balance Sheet on 31st December, 1911.

| Liabilities. | £ | Assets. | £ | £ |
|---|---|---|---|---|
| CAPITAL A/c. :— | | CAPITAL A/c. :— | | |
| Amount received ..... | 55000 | Amount expended for Works ..... | | 48239 |
| Sundry Tradesmen and others, due on Construction of Plant and Machinery, Fuel, Stores, &c., to 31st December, 1911 ..... | 1514 | Stores on hand at 31st December, 1911 :— | | |
| Sundry Creditors on open accounts ..... | 510 | Coal ..... | 95 | |
| NET REVENUE A/c. :—Balance at Cr. thereof ..... | 9008 | Oils, Waste, &c. ..... | 50 | |
| Reserve Fund A/c. :—Balance at Cr. thereof ..... | | General ..... | 808 | 953 |
| Depreciation Fund A/c. :—Balance at Cr. thereof ..... | 7000 | Sundry Debtors for amount paid on account of Contracts in course of completion..... | | 300 |
| | | Preliminary Expenses ..... | | 1500 |
| | | Sundry Debtors for Current supplied to 31st December, 1911 ..... | | 1097 |
| | | Other Debtors ..... | | 7000 |
| | | Investments ..... | | |
| | | Cash at Bankers :— | | |
| | | Messrs. Lloyd's, Ltd. ..... | | 7923 |
| | | Messrs. ..... | | |
| | | Messrs. Lloyd's, Ltd. (amount on deposit) ..... | | 6000 |
| | | Cash in hand ..... | | 20 |
| | £73032 | | | £73032 |

## Revenue Account of The Valley Waterworks Co., Ltd.,

for the year ended 31st December, 1912.

| Dr. | £ | £ | Cr. | £ |
|---|---|---|---|---|
| To Office and Engineering Expenses :— | | | By Water Rents | 14667 |
| Salaries | 600 | | ,, Rents (General) | 50 |
| Printing & Stationery | 50 | | ,, Transfer Fees | 20 |
| Incidentals | 37 | | | |
| | | 687 | | |
| ,, Expenses—Working and Maintaining :— | | | | |
| Pumping Stations | | 1705 | | |
| Reservoirs | | 500 | | |
| Filters | | 150 | | |
| ,, Repairs and Renewals of Mains | | 220 | | |
| ,, Repairs and Renewals (General) | | 105 | | |
| ,, Directors' Remuneration | | 400 | | |
| ,, Auditors' Fees | | 50 | | |
| ,, Rates and Taxes | | 2500 | | |
| ,, Interest on Debenture Stock | | 1002 | | |
| ,, Dividend on Preference Shares | | 1194 | | |
| ,, Interest on Loan | | 50 | | |
| ,, NET PROFIT c/d. | | 6174 | | |
| | £ | 14737 | £ | 14737 |
| To Interim Dividend paid November, 1912 | | 3000 | By Net Profit b/d. | 6174 |
| ,, BALANCE c/f. | | 3174 | | |
| | £ | 6174 | £ | 6174 |

## Receipts and Expenditure on Capital A/c. of The Valley Waterworks Co., Ltd., for the year ended 31st December, 1912.

**Dr.** **Cr.**

| | Expenditure to 31st December, 1911. | Expended during year. | Total Expenditure to 31st December, 1912. | | Receipts to 31st December 1911. | Received during year. | Total Receipts to 31st December, 1912. |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | | £ | £ | £ |
| To Parliamentary Expenses | 2000 | | 2000 | By Debenture Stock | 20000 | | 20000 |
| ,, Purchase of Land and Houses | 3000 | | 3000 | ,, Preference Shares | 20000 | | 20000 |
| ,, Construction of Works | 91830 | 10500 | 102330 | ,, Ordinary Shares | 50000 | 10000 | 60000 |
| ,, New Mains and Service Pipes (not being in place of old ones), including cost of laying same | 10975 | 945 | 11920 | ,, Premiums on Shares | 15000 | 5000 | 20000 |
| ,, New Meters (not being in place of old ones), including cost of fixing | 1000 | 50 | 1050 | | | | |
| Total Expenditure £ | 108805 | 11495 | 120300 | Total Receipts £ | 105000 | 15000 | 120000 |
| | | | | By BALANCE | | | 300 |
| | | | £ 120300 | | | £ | 120300 |

## General Balance Sheet on 31st December, 1912.

| LIABILITIES. | | ASSETS. | |
|---|---|---|---|
| BALANCE at Credit of Revenue A/c. | £3174 | BALANCE at Debit of Capital A/c. | £300 |
| Balance at Credit of Reserved Fund A/c. | 258 | Water Rates Accrued and Due | 1242 |
| Sundry Accounts due by the Company | 1861 | Sundry Accounts due to the Company | 48 |
| Interest Accrued and Unpaid on Debentures and Preference Shares—payable April, 1913 | 300 | Stock on hand | 340 |
| Unpaid Dividends and Interest | | Investments—Consols | 250 |
| | | Cash at Bank | 3413 |
| | £5593 | | £5593 |

**419. THE DOUBLE ACCOUNT SYSTEM** is the method of accounting, generally adopted where the capital of a company is contributed for a *specific* purpose, partaking of a *permanent* character, such as the construction or acquisition of railways, tramways, canals, waterworks, or gas, electric light, telegraph, telephone, and colliery undertakings, &c. The amount actually paid for or in respect of the undertaking is shown as against the total capital raised, the balance only being brought into the *General Balance Sheet.* The Double A/c. System, which was first prescribed by the Regulation of Railways Act, 1868, does *not* vary from the Single A/c. System in its requirements as to the records of the current transactions, the *difference* of treatment being entirely concerned with the *compilation* of the **final accounts.** As most of the undertakings enumerated above are the subject either of statutory obligations or special Acts of Parliament, concerning the raising and expenditure of **capital,** it is necessary that the accounts should be so arranged as to show that the capital expenditure has been made in the manner and for the special purposes for which it was subscribed, and generally in accordance with the law.

**420.** The chief **differences** between the ordinary or *Single Account System* and the *Double Account System* are :—(*a*) In the preparation of the periodical statement of assets and liabilities. (*b*) In the treatment of depreciation and renewals. Instead of setting forth all the assets and liabilities in an ordinary B/S. as is usual in the Single Account System, two Statements are required in the Double Account System :—(**1**) **The Capital A/c.,** showing the *permanent*, *fixed*, or *capital* assets and liabilities ; that is, on the **Cr.** side the total amount of the capital and loans (inclusive of all premiums received in connection with the issue thereof) raised to purchase or construct the works of the company; and on the **Dr.** side particulars of the amount expended in so purchasing, constructing or extending the undertaking. The *difference* between the two sides of this Capital A/c. is transferred to part (**2**) being the **General Balance Sheet,** showing the *floating*. *circulating* or *revenue* assets and liabilities.

**421.** It should also be noted that in the Double Account System the **Capital Expenditure** is stated at its *original* or *cost price*, at which it must remain, no re-valuation or adjustment of the assets shown in the Capital A/c. being permitted. Although no deduction may be made from the Capital A/c. in respect of the depreciation of capital assets, it is nevertheless usual to create a **Depreciation Fund A/c.,** by periodically appropriating a portion of the profits. This amount is, of course, debited against the Revenue, or P/L. A/c., to which is also charged all **Revenue expenditure** for wages (except those paid in making additions to the value of the capital assets), salaries, directors' fees, repairs, replacements, royalties, rents, taxes, interest, commission, printing, office expenses, bad debts and all current expenses. The sum of £144.725 being the value of the assets shown on the Dr. side of the Capital A/c. on page 503 would, in the *Single Account System*, be placed on the assets side of the B/S. ; while the amount of subscribed Capital and Debentures would appear on the other side.

**422.** In almost every instance **Railway Companies** are incorporated by special Act of Parliament, and are subject to the provisions of the Acts of 1845, 1867, 1868, and the Railway Companies (Accounts and Returns) Act, 1911, which latter Act prescribes the statutory form of *yearly* accounts upon the Double A/c. System and requires the following :—*Part* 1.—No. 1. (*a*) Nominal Capital authorised and created by the Company. No. 1. (*b*) Nominal Capital authorised and created by the Company jointly with some other Company. No. 1. (*c*) Nominal Capital authorised and created by some other Company on which the Company either jointly or separately guarantees fixed dividends. No. 2. Share Capital and Stock created as per Statement No. 1. (*a*) showing the proportion issued. No. 3. Capital raised by Loans and Debenture Stock. No. 4. Receipts and Expenditure on Capital A/c. No. 4. (*a*) Subscriptions to other Companies. No. 5. Details of Capital Expenditure. No. 6. Estimate of further expenditure on Capital A/c. No. 7. Capital powers and other assets available to meet further expenditure on Capital A/c. No 8.

Revenue Receipts and Expenditure of the whole undertaking. No. 9. Proposed appropriation of net income. No. 9. (*a*) Statement of Interim Dividends paid. No. 10. Receipts and Expenditure in respect of Railway working. No. 11. Receipts and Expenditure in respect of Motor Omnibuses and other passenger vehicles not running on the railway. No. 12. Receipts and Expenditure in respect of Steamboats. No. 13. Receipts and Expenditure in respect of Canals. No. 14. Receipts and Expenditure in respect of Docks, Harbours and Wharves. No. 15. Receipts and Expenditure in respect of Hotels and all Refreshment Rooms and Cars where catering is carried on by the Company. No. 16. Receipts and Expenditure in respect of other separate businesses carried on by the Company. No. 17. Electric Power and Light A/cs. No. 18. General Balance Sheet. *Part* 2 consists of Statistical Abstracts, and is followed by certificates of the responsible officers as to the upkeep of the whole of the Company's property. See pages 504-07.

**423.** With the exception of the few **Tramway undertakings** governed by the Acts just cited, there is no prescribed form in which such accounts are to be presented; although they are usually prepared on the Double A/c. System; the permanent way, rolling stock and horses constituting the items of capital expenditure.

**424. Gas undertakings** are generally either owned by Companies, incorporated by special Act of Parliament, or by local authorities. Incorporated Companies are subject to the Companies Clauses Consolidation Act, 1845, and to numerous other Acts, which provide for the formation of Insurance and Reserved Funds, and for the introduction of a "Sliding Scale," under which shareholders are entitled to larger maximum dividends *pro ratâ* as the price of Gas is reduced below the "standard" price. The Gasworks Clauses Act, 1871, prescribes, in Schedule B, the form in which the *annual* accounts are to be presented, viz.:—(*a*) Statement of Share Capital; (*b*) Statement of Loan Capital; (*c*) Capital A/c.; (*d*) Revenue A/c.; (*e*) Profit & Loss A/c. (Net Revenue); (*f*) Reserved Fund A/c.; (*g*) Statement of Coals; (*h*) Statement of Residual Products; (*i*) General B/S.

**425.** The **Reserved Fund A/c.** is built up out of profits that are available for distribution among the proprietors, but which it is deemed expedient to hold in reserve for the purpose of equalising dividends. The Insurance Fund, on the other hand, is built up out of charges made *against* profits, and like an ordinary Reserved Fund, is created to make good any loss that *may* arise in the future through some unforeseen contingency. The creation of an **Insurance Fund** is optional, and is limited to one-twentieth of the paid-up capital of the undertaking ; " capital " for this purpose including loan capital. Both the Reserved and the Insurance Funds should be represented by investments *outside* the business, and the interest received on such investments is credited to the respective funds which these investments represent. If the works are situate on *leasehold* land, the Company should from time to time place a proportion of the profits aside for the purpose of ultimately redeeming the forfeitable Capital expended thereon. This is done by a **Depreciation Fund A/c.** (really a Sinking Fund), which is built up by debiting Revenue and creating a Depreciation Fund A/c.

**426.** The only **expenditure** that can properly be **capitalised** is that necessarily involved in constructing and equipping the works, so as to make them capable of earning a revenue. After the works have been once so equipped all expenditure, whether in the nature of repairs or renewals, is chargeable against revenue ; but when, as sometimes occurs, a portion of the old works is rebuilt or enlarged, a proportionate part of the cost of reconstruction may properly be capitalised. The accounts have to be taken annually on the 31st December, and a copy must be filed with the prescribed local authority before the following 31st March. See pp. 508-10.

**427.** The statutes relating to **Electric Lighting** accounts are the Electric Lighting Acts, 1882 and 1888, together with the Board of Trade rules thereon. The Board of Trade have issued a special form of accounts based upon that required by Gas Companies—the electricity being sold by the unit instead of by the thousand

cubic feet. The following a/cs. are required :—(1) Statement of Share Capital ; (2) Statement of Loan Capital ; (3) Capital A/c. ; (4) Revenue A/c. ; (5) Net Revenue A/c. ; (6) Reserved Fund A/c. ; (7) Depreciation Fund A/c. ; (8) General Balance Sheet ; (9) Statement of Electricity Generated, Sold, &c. A copy of the annual accounts up to 31st December must be forwarded to the Board of Trade not later than the 31st March following. Note examples of Capital A/c., &c., on pages 511-13.

**428.** There is no general statutory form of accounts for **Water Undertakings,** but it is the general practice to assimilate the accounts of Water Companies, as near as may be, to the form laid down for Gas Companies.

**Double A/c. System Exercise 1.**

Convert the following Single-Account Balance Sheet into the form required for the Double-Account System, recording the fact that half of the B Shares were subscribed during the current year.

**Balance Sheet** of the Middleton Colliery Co., Ltd., on 30th June, 1909.

| Liabilities. | | | Assets. | | |
|---|---|---|---|---|---|
| Nominal or Registered Capital, viz. : | | | Lands ..... | | £5000 |
| 10000 A Shares of £10 each.....£100000 | | | Sinking Shafts and Opening up Pits | £100000 | |
| 10000 B Shares of £10 each..... | 100000 | £200000 | *Add* Extensions | 12500 | 112500 |
| Subscribed and Paid-up Capital, viz. : | | | Plant and Machinery above Surface .. | 25000 | |
| 10000 A Shares of £10 each, £5 per share called up | £50000 | | *Add* Extensions | 4500 | 29500 |
| 10000 B Shares of £10 each, fully paid ..... | 100000 | £150000 | Wagons ..... | 10000 | |
| Debentures at 5% | | 50000 | *Add* Extensions | 2500 | 12500 |
| Reserve Fund .... | | 20000 | Office Buildings ... | | 2500 |
| Depreciation Fund | | 12000 | Workmen's Cottages | 7500 | |
| Sundry Creditors, viz.: | | | *Add* Extensions | 500 | 8000 |
| On Bills Payable | 5000 | | Stock on hand .... | | 10000 |
| On Open Accounts | 5000 | 10000 | Consols at Cost ... | | 20000 |
| Profit & Loss A/c. | | 20000 | Sundry Debtors ... | | 30000 |
| | | | Cash at Bank and in hand ..... | | 32000 |
| | | £262000 | | | £262000 |

**Double A/c. System Exercise 2.**

Convert the following Single-Account Balance Sheet into the form required for the Double-Account System, recording the fact that half of the Debentures were subscribed during the year.

**Balance Sheet** of the Rapid Tramway Co., Ltd., on 30th June, 1910.

**Liabilities**:—Nominal or Registered Capital, viz. : 10000 Ordinary Shares of £10 each £100000, 10000 7½% Preference Shares of £10 each £100000, £200000.
**Cr. Balances**: Subscribed and Paid-up Capital, viz. : 10000 Ordinary Shares of

£10 each, fully paid £100000 ; 10000 7½% Preference Shares, fully paid £100000; Debentures at 5% £100000 ; Reserve Fund £15000 ; Depreciation Fund £30000 ; Sundry Creditors £340 ; Interest due to Debenture holders £5000 ; Interest due to Preference Shareholders £7500 ; Interest due to Ordinary Shareholders £10000; Profit & Loss A/c. £20000; Total £387840. **Dr. Balances** :—Permanent Way and Overhead Electrical Equipment £150500, *Add* Extensions £20000 £170500 ; Electric Power Station, Plant and Car Depôt £70000, *Add* Extensions £5000, £75000 ; Rolling Stock, &c. £20000, *Add* Extensions £600, £20600 ; Office Buildings, &c. £1000 ; Stores in hand, &c. £1020 ; L. & N. W. Railway Stock £15000 ; Cash in Bank £104572 ; Cash in hand £148 ; Total £387840.

## Double A/c System Exercise 3.

Prepare A/cs. of the West Riding Railway Co., for the half-year to 31st Dec., 1909. Ordy. Share Capital £2500000 ; Depreciation A/c. £100000 ; Reserve Fund (Invested in Consols) £250000; Goods Stations, value 30th June, £200000; Expenditure on new Goods Stations during half-year £27000 ; Mirfield to Bradley Extension, value 30th June, £190000 ; Expended during the half-year, £11000 ; Bridges, value 30th June, £85000, additions thereto £15000 ; Lines open for traffic £1100000 ; Sundry Debtors £90000 ; Cash in Bank £90000 ; Locomotives and Steamers £150000 ; Rolling Stock, General £350000 ; Stores in hand £20000 ; Office Buildings £30000 ; Wharves, value 30th June, £80000, Improvements thereto £20000 ; Due by Clearing House £3000 ; Stations, value 30th June, £130000, Extensions and Improvements thereto £20000. Cr. Balance of P. & L. A/c. £11000. **Answer.**—*Bal. of Cap. A/c.* £92000 *Total B/S.* £453000.

## Double A/c. System Exercise 4.

The following is the Trial Balance of the North Riding Railway Co., Ltd., after the completion of the Revenue A/c. for the half-year ended 31st December, 1911.

| **Dr. Balances.** | | **Cr. Balances.** | |
|---|---|---|---|
| Lines open for traffic .... | £1278000 | 3½% Preference Stock .... | £450000 |
| Lines in course of construction ..... | 7500 | Ordinary Stock ..... | 750000 |
| Working Stock, (Engines, Carriages, &c.) ..... | 195000 | 4% Debenture Stock .... | 300000 |
| Subscriptions to other Railways ..... | 75000 | Premiums on Ordy. Stock | 37500 |
| Purchase of Grand Canal | 7500 | Debts due to other Companies ..... | 750 |
| Cash at Bank ..... | 7500 | Sundry Tradesmen, &c. .. | 30000 |
| General Stores, Stock on hand | 10000 | Fire Insurance Fund .... | 2250 |
| Traffic A/cs. due to Company | 20000 | Superannuation Fund ... | 7500 |
| Due from other Companies | 1500 | Balance to Credit of Net Revenue A/c. ..... | 30000 |
| Sundry Outstanding A/cs. | 6000 | | |

During the half-year there was an issue of £15000 3½% Preference Stock, at par, which was fully subscribed and paid up also of £30000 Ordinary Stock fully subscribed and paid up at a premium of 5%. The Expenditure on Lines open for Traffic was £37500, on Lines in course of Construction £1500, and on Working Stock £7500. Prepare Capital A/c. and Balance Sheet. **Answer.**—*Balance of Cap. A/c.* £25500 ; *Total B/S.* £70500.

**Exercises** numbered **149** and **156** further illustrate the Double A/c. System.

## BANKRUPTCY.

**429. A BANKRUPT,** in popular language, is one who is unable to pay his debts in full, but *legally* one who has been *adjudged bankrupt* by the **Court,** and has handed over his estate and assets, to be realised for the payment of his liabilities. **Proceedings** may be commenced under **"The Bankruptcy Act, 1914,"** either by the debtor himself, or by a creditor or creditors whose debt or debts amount to at least £50, by presentation to the Court of a **Bankruptcy Petition,** which asks that a Receiving Order be made against the debtor for the protection of his estate. Where the Petition is filed by the *debtor*, the Court will make the Order forthwith, and, if the debtor desires it, **adjudication** (the act of the Court whereby the debtor is declared bankrupt and divested of his property) takes place at once. In the case of a *Creditor's Petition*, a copy of the same must be served on the debtor, and the Petition will not be heard by the Court until the expiration of 8 days from such service. If the Petition is filed by a *creditor* it must be founded on one of the **acts of bankruptcy** which renders the debtor *liable* to be adjudged a bankrupt. They are as follows :—(*a*) made an assignment of his property in trust for his creditors generally ; (*b*) made a fraudulent assignment of his property, or any part thereof ; (*c*) made a conveyance amounting to a " fraudulent preference " ; (*d*) having, with intent to defeat or delay his creditors, departed out of England, or being out remained out ; or absented himself ; or begun to keep house ; (*e*) suffered execution on his goods, after they have been either sold or held by the sheriff for 21 days ; (*f*) filed a declaration of his inability to pay his debts or presented a Bankruptcy Petition against himself ; (*g*) neglected to pay or secure a judgment debt after service of a " bankruptcy notice " ; (*h*) given notice to any creditor of suspension of payment.

**430.** To prevent an influx of paupers a £5 stamp is charged on Bankruptcy Petitions and a deposit of £5 is also required to cover preliminary expenses. The first

In the County Court of Yorkshire holden at Huddersfield. No. 969 of 1914.

IN BANKRUPTCY. Re *Thomas Robinson.*

## STATEMENT OF AFFAIRS on 31st December, 1914.

| Gross Liabilities. | LIABILITIES. (as stated and estimated by Debtor). | | Expected to rank. |
|---|---|---|---|
| £2420 | Unsecured Creditors as per List (A) | | £2420 |
| 4352 | Creditors fully secured, as per List (B) | £4352 | |
| | Estimated value of securities | 5872 | |
| | Surplus | 1520 | |
| | *Less* amount thereof carried to sheet (C) | 1500 | |
| | Balance thereof to contra | 20 | |
| 2450 | Creditors partly secured, as per list (C) | 2450 | |
| | *Less* estimated value of securities | 1800 | |
| | | | 650 |
| 127 | Liabilities on Bills discounted other than Debtor's own acceptances for value, as per List (D), viz.:—On Accommodation Bill as Drawer, Acceptor, or Indorser | £ - | |
| | On other Bills as Drawer or Indorser[1] | £127 | |
| | | £127 | |
| | Of which it is expected will rank against the estate for dividend | | Nil. |
| 450 | Contingent or other Liabilities as per List (E) | £450 | |
| | Of which it is expected will rank against the estate for dividend | | 250 |
| 150 | Creditors for rent, &c., recoverable by distress as per list (F) | £150 | |
| 364 | Creditors for rates, taxes, wages, &c., payable in full, as per list (G) | £864 | |
| | Sheriff's charges payable under s. 11 of the Bankruptcy Act of 1890, estimated at | - | |
| | | 514 | |
| | Deducted contra | 454 | 60 |
| | Surplus explained in Statement (K) | | |
| £10313 | | | £3380 |

| ASSETS. (as stated and estimated by Debtor). | | | Estimated to produce |
|---|---|---|---|
| Property as per list (H), viz.:— | | | |
| (a) Cash at Bankers | | | £12 |
| (b) Cash in hand | | | 35 |
| (c) Cash deposited with Solicitor for Costs of Petition | | | - |
| (d) Stock-in-Trade | (cost £750) | | 400 |
| (e) Machinery | (cost £300) | | 150 |
| (f) Trade Fixtures, Fittings, Utensils, &c. | (cost £100) | | 50 |
| (g) Farming Stock | | | - |
| (h) Growing Crops and Tenant Right | | | - |
| (i) Furniture | | | - |
| (j) Life Policies | | | - |
| (k) Other property, viz.:—Crystal Palace Shares | (cost £250) | | 225 |
| Total as per list (H) | | | £872 |
| Book Debts as per list (I), viz.:— | | | |
| Good | | | 76 |
| Doubtful | £504 | | |
| Bad | 377 | | |
| | | £881 | |
| Estimated to produce | | | 175 |
| Bills of exchange or other similar securities on hand as per list (J) | | £135 | |
| Estimated to produce | | | 135 |
| Surplus from securities in the hands of Creditors fully secured (per contra) | | | 20 |
| | | | £1278 |
| Deduct Creditors for distrainable rent, and preferential rates, taxes, wages, sheriff's charges, etc. (per contra) | | | 454 |
| | | | £824 |
| Deficiency explained in Statement (K) | | | 2556 |
| | | | £3380 |

result of a Bankruptcy Petition is the making of a **Receiving Order** (**R.O.**) by the Court, whereby the **Official Receiver** (**O.R.**) is constituted *receiver* of the property of the debtor. This order does not divest the debtor of his property, but merely protects it by putting the O.R. in charge thereof, as well as stays proceedings by unsecured creditors. The Official Receiver is a Solicitor appointed by the Board of Trade to take charge of and distribute a bankrupt's estate during the liquidation of his business. As soon as the R.O. is made the debtor is bound to give the O.R. full information as to his financial affairs, and to make out a formal statement of his assets and liabilities for submission to the first meeting of creditors, which should be held within 14 days of the R.O. ; when the debtor may propose that his insolvency should be terminated by a **composition** or **scheme** thereby avoiding the disabilities of bankruptcy proper. If this proposal be not assented to, the Debtor must be adjudged Bankrupt. If it be assented to, by a majority in number representing *three-fourths in value* of all the creditors who have " proved," the assent is provisional. When the **Public Examination** (which consists of questioning the debtor as to his conduct, dealings and property) is concluded, the matter then goes before the Court for its approval. The Court, before sanctioning the scheme, hears the report of the O.R., and has to consider whether it is calculated to benefit the general body of creditors, and also whether the debtor's conduct has been such as to justify his escape from the consequences of bankruptcy. When the scheme is approved by the Court it is binding on any dissentient minority of creditors, the R.O. is rescinded, and the debtor is remitted to the full control over his affairs ; but if the provisions of the scheme are not carried out, the debtor is still liable to be made bankrupt. Even after adjudication has taken place the debtor may propose a composition, and if sanctioned by the Court, the adjudication is annulled.

**431.** When it has been decided that a debtor's estate shall be administered in bankruptcy proper, the first

business of the creditors is to elect a **Trustee ;** who cannot act, however, till he has received the Certificate of the Board of Trade, to whom he must give security for the due performance of his duties ; which are to discover, realise and distribute the bankrupt's property, as quickly as possible, and obey the directions of the Committee of Inspection. In the interim the O.R. acts as trustee, in whom the whole of the property of the bankrupt (as well as any further property which he may acquire before he gets his discharge) vests. This rule does not apply to the debtor's personal earnings. The trustee, as a rule, exercises his functions under the guidance of a **Committee of Inspection,** appointed by the creditors, but if no such Committee be appointed, their duties (which are to watch and superintend the administration of the estate, and see that the bankrupt's affairs are liquidated in the best manner conducive to the general interest of the creditors) are performed by the Board of Trade. When the assets of the debtor have been realised, the Trustee, before applying to the Board of Trade for his **Release,** must give notice of his intention so to do, to all the creditors who have proved their debts, and to the debtor ; and must send with such notice a summary of his receipts and payments, in accordance with the Form shown on page 526. This **Realisation Statement** is usually sent out with the notice declaring the final dividend.

**432**. As soon as the bankrupt's examination is concluded he may apply for his **Discharge.** Notice of this application must be given by the O.R. to every creditor who has proved his claim, except in summary cases to creditors under £2. At the hearing the Court receives from the O.R. a report on the debtor's conduct and the cause of his failure. The O.R., the Trustee, and any creditor who appears are entitled to be heard on the matter. If it appears that the debtor has been guilty of any conduct amounting to **misdemeanor** under part 2 of the **Debtors' Act, 1869,** the Court *must* ordinarily refuse his discharge. The debtor then can only escape from bankruptcy and its consequent civil disqualification by

## THE BANKRUPTCY ACT, 1914.

In the County Court of Yorkshire, holden at Huddersfield. No. 969 of 1914.

IN BANKRUPTCY. Re *Thomas Brown.*

**REALISATION STATEMENT,** showing position of Estate at date of application for Release of Trustee and declaring final dividend.

| | Estimated to produce per Debtor's statement. | Receipts. |
|---|---|---|
| | £ s. d. | £ s. d. |
| To total receipts from date of Receiving Order, viz. :— | | |
| Cash at Bankers | | |
| Deposit on Petition | | |
| Property :— | | |
| (*a*) Stock-in-Trade | | |
| (b) Machinery, Fixtures, etc. | | |
| (c) Farming Stock | | |
| (d) Furniture | | |
| (e) Other Property :— | | |
| Book Debts | | |
| Bills of Exchange | | |
| Surplus from securities | | |
| Other receipts :— | | |
| Total | | |
| Less :— | | |
| Deposit returned to Petitioner | | |
| Payments to redeem securities | | |
| Costs of Execution | | |
| Payments per Trading Account | | |
| | £ | |
| Net Realisation | £ | |

| | Payments. |
|---|---|
| | £ s. d. |
| By Board of Trade and Court Fees (including stamp of £5 on petition) | |
| Law Costs of petition | |
| Other Law Costs | |
| Trustees' remuneration as fixed by the Committee of Inspection, viz. :— | |
| per cent. on.....assets realised | |
| per cent. on....assets distributed in dividend | |
| Special Manager's Charges | |
| Persons appointed to assist Debtor under Section 70 of the B.A. of 1883 | |
| Auctioneer's Charged as taxed | |
| Shorthand Writer as taxed | |
| Costs of Possession | |
| Costs of notices in Gazette and local papers | |
| Incidental Outlay | |
| Total Cost of Realisation £ | |
| Allowances to Debtors | |
| *Creditors, viz.* :—Rent | |
| Preferential | |
| Unsecured :—Final dividend now declared of.....in the £ on | |
| *The Debtor's estimate of amount expected to rank for dividend was* | |
| Balance | |
| | £ |

payment of his debts in full, with costs and interest. If the debtor has not committed a misdemeanor, but has been guilty of **minor misconduct,** the Court has a discretion either to refuse the discharge, or to suspend it, or make it conditional. A common condition is to order judgment for a specified sum to be entered up against the debtor. There are 12 classes of facts involving *minor misconduct* which prevent the Court from granting an unconditional and immediate discharge; for instance, not keeping proper business books, trading with knowledge of insolvency, rash speculation, previous bankruptcy, fraud, or fraudulent breach of trust, or inability to pay 10/- in the £. It is a criminal offence for an **undischarged bankrupt** to engage in trade under a name other than that under which he was adjudicated bankrupt without disclosing the name under which he was made bankrupt, or to obtain credit to the extent of **£10** or upwards from any person without informing such person that he is an undischarged bankrupt. If the debtor's financial conduct has been blameless, he is entitled to an unconditional discharge. The **Order of Discharge** releases the debtor from all debts and liabilities provable in the bankruptcy, with the exception of certain crown debts and debts incurred through his personal fraud or fraudulent breach of trust, and claims arising out of seduction or divorce court proceedings.

**433**. Special provision is made for the more summary administration of **small estates** when the estimated **assets do not exceed £300.** In such cases the O.R. acts as trustee, unless superseded by the creditors, and discharges the duties of the Committee of Inspection. Only one meeting is required to approve a composition and when possible the estate is to be distributed in a single dividend. In the case of quasi-pauper debtors, whose total liabilities do not exceed £50, the County Courts are empowered to make what is called an **"Administration Order,"** under which the debtor pays his debts, either in full or in part, by specified instalments out of his earnings.

**434. STATEMENT OF AFFAIRS.** When a Receiving Order is made, the debtor must make out and

submit to the O.R. a statement of his affairs in the prescribed form, verified by affidavit, and showing detailed particulars of all his assets and liabilities ; and such further or other information as the O.R. may require. The Statement must be so submitted, if the Order is made on the petition of (*a*) the debtor, within *three* days ; (*b*) a creditor within *seven* days ; each from the date of the Order ; but the Court may, for special reasons, extend the time. The Statement must be made out, *in duplicate*, on the 13 printed forms or Sheets supplied by the O.R. If the debtor cannot himself prepare a proper Statement, the O.R. may, subject to prescribed conditions, and at the expense of the estate, employ someone to assist in its preparation.

**435.** An ordinary **Balance Sheet** contains a list of the assets and liabilities as shown in the books of a *working* concern, but in the B/S. to be prepared by a bankrupt in the form of a **Statement of Affairs,** provision must be made for a *loss on realisation of the assets*, while the values of the securities must be deducted from the amounts owing to secured or partly secured creditors. In other words an ordinary B/S. is a statement of the assets and liabilities of a *live concern* with earning capacity, whereas the B/S. required to be made out by a bankrupt is a statement of the assets and liabilities of a *dead concern* without earning capacity, consequently selling or market or break-up prices, only, must be stated, while all fictitious items, such as good-will, must be omitted. Where the a/c. books of the debtor have been properly kept, no difficulty will be experienced in preparing the Statement ; but where the debtor has kept no books, or very defective records, then resort must be had to advices, letters, consignment and delivery notes, invoices, statements, receipts, cheques, counterfoils, bank pass books, and to questioning the debtor and his creditors. All books of a/c., also the cash and any B/E. must be delivered to the O.R. when the Statement is filed ; if the debtor has no books, a note to that effect should be made on the Deficiency A/c. The **Official Forms** used for the Statement

are lettered respectively from **A** to **L,** each one being labelled or headed, and containing full instructions as to the information required to be given thereon. In the case of a **Partnership,** whether ordinary or *Limited*, the *joint* statement will deal with the affairs of the *firm*, and the *separate* Statement will show the *private* or *individual* affairs of each partner. If any of the separate estates show a surplus it must be carried forward to the Statement of the firm, for division among the firm's creditors and *vice-versa*.

**436. Creditors** should immediately on receiving notice of the bankruptcy, make their claims against the estate, by filling up, being sworn, and forwarding to the O.R. the Form of Affidavit, known as **Proof of Debt,** which requires a 1/- bankruptcy stamp if the debt exceeds £2.

**437. Form A. Unsecured Creditors,** whose only claim is upon the *general* assets of the debtor, derived from the obligation, expressed or implied, into which every debtor enters, of paying his debts out of his property, as distinct from a *secured* creditor, who, in addition to this general claim, has a charge upon some part of the debtor's property. There must be entered on this form any unsecured overdraft at the bank, also the balances of Creditors for wages, &c., which exceed the limit allowed as a preferential payment. Where there is a **contra a/c.** against the creditor, *less* than the amount of his claim against the estate, it should be shown, and the *balance only* inserted under the heading *Amount of Debt*. "Trade" discount must always be deducted and only the net amount shown. The particulars of any B/E. and P/N. held by a creditor should be inserted below the name and address of such creditor. The date when each debt was contracted, as well as the consideration, is also required. Debts contracted more than six years previous to the date of the R.O. should not be inserted unless the debtor has within six years suffered judgment in respect thereof, or has kept a debt alive by a payment on account, or has given a written promise to pay. A Judgment holds good for twelve years from its date.

**438. B. Creditors fully Secured.** A Secured Creditor is one holding a mortgage, charge, or lien upon the property of a debtor, or any part thereof, as a security for a debt due to him from the debtor. The holder of a B/E. or P/N. is not a secured creditor, such documents being mere personal engagements to pay; nor is a mere Judgment Creditor thereby secured; but where the holder of a B/E. (accepted payable against delivery of Bills of Lading) also holds the B/L. he is a secured creditor. Where a creditor holds a security on a *third party* he may prove for his *whole debt* and then resort to his security in case of any deficiency, for he is not a person holding a charge upon the property of the debtor, but on the property of some other person, consequently his claim must appear on Form A. Form B must show particulars of the security, when given, estimated value, and estimated surplus, if any. A creditor in respect of furniture or machinery obtained under a **hire-purchase agreement** should be entered here as fully secured. It is assumed by the Court that the custom of hotel keepers hiring their furniture is so notorious as to negative the fact that it belongs to them. Therefore, such furniture, though in the bankrupt's order and disposition to be used or dealt with in the way of his trade or business, does not pass to the trustee, owing to the custom. Goods sent on *approval*, or on *sale* or *return*, in accordance with the custom of the trade, are not the property of the bankrupt, and the true owner can demand possession of them. The holder of an *absolute* **Bill of Sale** is secured so far as the chattels comprised therein are concerned. So, too, is the holder of a Bill of Sale for money advanced, which was registered *before* the Act of 1882 came into operation, but not since. If the Bill of Sale has been executed more than five years, it must, to make it secure, have been re-registered within five years. The *beneficiaries* under a *trust* are secured creditors where the trustee becomes bankrupt. A **banker** is a secured creditor, in respect of all securities in his possession, for the unpaid balance of the debtor's current a/c.; but not if the securities were merely deposited with him for safe custody. A **solicitor**

is also a secured creditor in respect of all title deeds or securities in his possession, whether deposited for safe custody or not

**439. C. Creditors partly secured.** These creditors hold *some* security for their debts, but insufficient to cover the whole of the debt due from the bankrupt. The particulars required are similar to Sheet B, with the addition of a column headed *Balance of Debt unsecured* which balance will rank for dividend, on proof that the value of security has been properly assessed.

**440. D. Liabilities of debtor on Bills Discounted other than his own Acceptances for value.** Full details are required as to the bills negotiated by the debtor, although these should be paid by the acceptors ; but as the debtor is liable as drawer or endorser, the amount of any bill *expected to be dishonoured by the acceptor* must be inserted in the column " Expected to rank against Estate for dividend." Though the bankrupt is merely an accommodation acceptor, he is equally liable as an ordinary acceptor to pay any holder *except* the drawer. Bills of which the bankrupt is an ordinary acceptor should be included in Form A, and not in this form. The two kinds of bills to be included in this form are (1) bills and notes to which the bankrupt has made himself surety by drawing or endorsing ; (2) those which he had drawn, accepted, or endorsed, for the accommodation of some third person, he himself receiving nothing from the transaction. In the former case they are documents which the bankrupt has either paid away to some other person in the course of trade or has discounted. The total amount expected to rank against the estate for dividend will need treating as a loss when preparing the Deficiency A/c.

**441. E. Contingent or other Liabilities** record the debtor's liability as *surety* for others on Accommodation Bills, for unpaid shares, as well as in respect of uncompleted Contracts, Leases, &c. This is really another form for *unsecured* creditors, with the difference that form A is for ascertained and certain debts for which the

debtor has received valuable consideration, and form E is for uncertain debts and liabilities incurred without valuable consideration, or where though such existed, the debtor is jointly liable with some third party. The following are some of the cases in which form E should be used (1) Where the debtor is surety for another, he receiving no part of the sum advanced ; (2) Where he is *jointly* liable on a bill, of which he has received part of the proceeds ; (3) Where he has entered into a bond for the faithful performance of services by a third party, even though he may not expect to be called upon to pay the amount ; (4) Onerous covenants contained in a lease, such as for repairs or reinstating buildings ; (5) Liabilities connected with uncalled capital or shares; (6) Penalties incurred by the debtor in respect of breaches of contract, as a builder under a building contract, for non-completion ; (7) Claims by debtor's wife for money lent to him for business purposes ; (8) Claims by " sleeping partners," viz., persons who, having advanced money to the debtor, have agreed to receive, by way of interest, a share of the profits of the business ; (9) Claims by retired partner in respect of capital left by him in debtor's business ; (10) Outstanding claims against a firm of which debtor is the remaining partner ; (11) Amounts remaining unpaid under a prior deed of composition ; (12) Claims for damages for breach of trust committed by debtor ; (13) Annuity for life contingent on the performance or non-performance of some act

**442. F. Creditors for Rent, &c., Recoverable by Distress.** A landlord can only claim payment in full for *six months'* rent, unless a distress has been levied before the commencement of Bankruptcy. In any case the rent is only payable in full up to the amount of the Debtor's property on the premises in respect of which rent is claimed. A claim for rent of £100, in respect of premises where the realisable value of the Debtor's property is estimated to produce only £50, would be entered as £50 for payment in full, and £50 ranking for dividend. **Ground Rent,** due to a lessor, being a charge upon the property, is payable in *full*, regardless of the

period covered by the arrears. If an execution has been levied on the debtor's property, and the sheriff is in possession at the date of the R.O., his costs form the first charge on the property seized, and should therefore appear on this form

**443. G. Preferential Creditors for Rates, Taxes, and Wages.** The order in which debts are payable is regulated by "*The Preferential payments in Bankruptcy Acts*, 1888 and 1897," which provide for the payment in full of rates and taxes, not exceeding **one year's** assessment; also the **wages** or salary of any *clerk* or *servant* in respect of services rendered to the bankrupt during *four months*, before the date of the R.O., not exceeding £50; also the **wages** of any *labourer* or *workman* in respect of services rendered during *two months* before the date of the R.O., not exceeding £25; any balance in excess of these limitations ranking for dividend. Municipal and Local Authorities sometimes have the power of distress for gas and water charges and would therefore be preferential creditors. The B.A., 1883, s. 125, provides for the payment in full of the funeral and testamentary expenses of a **deceased debtor;** and s. 41 makes the compensation for breach of agreement payable to an apprentice or articled clerk, preferential. By the Friendly Societies' Act, 1896, s. 35, trustees of a friendly society have, on the bankruptcy of an officer of the society, who as such officer has in his possession money or property of the society, a right to receive the same in preference to other claims against the estate.

**444. H. Property,** which is interpreted as meaning money, goods, things in action, land and every description of property, whether real or personal, and whether situate in England or elsewhere; also obligations, easements and every description of estate, interest and profit present or future, vested or contingent arising out of or incident to property as above defined. The bankrupt is entitled to retain for his own use the tools of his trade, and the wearing apparel and bedding of himself, his wife, and children, to an amount not exceeding in value a total of £20. The headings given

in this sheet are repeated in the " Front Sheet " of the Statement. Particulars of Leases and reversionary interests would be shown here under " Other Property" ; also the value of stocks and shares. The value of a **policy** on the life of a debtor, in his own name, must be shown ; but if in his wife's name or in the names of trustees, it should be omitted. If on the life of a third person, and held merely as security for a debt, it should be so stated in Form I or J, as the case may be, and not entered on Form H. Where the bankrupt owns a **Copyright** or any interest therein, and has to pay royalties or any share of profits to the author of the work to which it relates, the trustee must pay to the author the same royalties or share in profits ; and he may not assign the copyright without the consent of the author or the Court.

**445. I. Debts due to the Estate,** provides for a full list of all the book debts, giving three columns for classification as good, doubtful and bad. Where a debtor has a *contra a/c.*, the amount thereof should be deducted as on Form A and the *balance* only c/f.

**446. J. Bills of Exchange, Promissory Notes, &c., available as Assets.** This only requires details of those bills of which the debtor is *holder*, and are consequently handed over to the O.R. immediately on the R.O. being made.

**447. K. Deficiency Account.** This form is intended to show how the deficiency or estimated surplus (if any) as at the date of the R.O. is arrived at. It is practically the **Capital A/c.** of the bankrupt, with the sides reversed. Starting (where possible) from a date when the trader is solvent, this a/c. should gradually trace out in detail all the losses, expenses, and other causes bringing about his failure. The account should therefore commence with the excess of assets over liabilities, or *vice-versa*, at least 12 months (in the case of a company, three years) before the date of the R.O. or such other time as the O.R. may fix. The a/c. must then show the subsequent profits or losses from business or otherwise, all subsequent expenses other than

trade exs., *e.g.*, medical attendance, private drawings, household exs., value of goods withdrawn from the business for family consumption, damages and costs in law suits, bad and doubtful debts per Form I., losses by fire or storm, death of horses or cattle, depreciation in values, gambling or Stock Exchange losses, and any extraordinary payments for which the debtor has received no valuable consideration, such as losses through drawing or endorsing a B/E., dishonoured by the acceptor per Form D ; or by suretyship or the backing of Accommodation Bills. The balance of the a/c. should show the deficiency (or surplus, if so) as at the date of the R.O., and should agree with the balance shown upon the "Front Sheet."

## K. Deficiency (or Surplus) Account.

| | | | |
|---|---|---|---|
| Excess of Assets over Liabilities on the 31*st* day of *December*, 1913 (about) (if any) | £500 | Excess of Liabilities over Assets on the day of 19 (if any) | |
| Net Profit (if any) arising from carrying on business from the 31*st* day of *December*, 1913, to date of R.O., after deducting usual Trade Expenses | 505 | Net Loss (if any) arising from the day of 19 to date of R.O., after deducting from profits the usual Trade Expenses ... | Nil |
| Income or Profit from other sources (if any) since the day of , 19 | | Bad Debts (if any) as per Schedule "I" | £706 |
| | | Expenses incurred since the 31*st* day of *December*, 1913, other than usual Trade Exs., viz.: Household Exs. of self, *wife, and four children* | 900 |
| Gifts from relations and others | | Other Losses and Expenses (if any)— | |
| | | *Interest and Costs paid (about)* | 50 |
| DEFICIENCY as per Statement of Affairs | 2556 | *Betting Losses (about)* | 100 |
| | | Liabilities for which no consideration received— | |
| | | *Costs, Sykes v. Swift* ..... £538 | |
| | | ,, *Johnson's judgment*... 15 | |
| | | | 553 |
| | | *Interest added to Debts—* | |
| | | *A. Brown's loan* ..... £150 | |
| | | *E. Wilson's loan* ..... 252 | |
| | | | 402 |
| | | *Illness—Dr. Jessop's claim* | 25 |
| | | *Liability under lease for repairs* | 250 |
| | | Depreciation in value of Stock and Effects, or other property as estimated for realisation ..... | 575 |
| | | Surplus as per Statement of Affairs (if any) | |
| Total amount to be accounted for | £3561 | Total amount accounted for | £3561 |

**448. L. In substitution** *for such of the Sheets named 'A' to 'J' as will have to be returned blank.* This sheet is used to avoid filing a number of forms, which would not be required in most small bankruptcies

**449. Front Sheet.** The Statement of Affairs contained on some or all of the twelve lettered sheets is not complete until the totals of such sheets have been *transferred or carried forward* to what is known as the "Front Sheet"; which is really the **Summary** or **Balance Sheet** showing the debtor's position at a glance; and which must bear a 2/- bankruptcy stamp as a filing fee. The particulars of the assets are obtained from Forms H, I, and J, and the surplus (if any) from fully secured creditors per Form B. From the total of these must be deducted (1) The distrainable and preferential claims per Forms F and G, and (2) any sheriff's charges which may be payable under the B.A., 1890. The liabilities which are expected to rank against the estate are made up from Forms A, C, D, E, and the resulting balance, surplus, or deficiency should agree with the balance shown in Form K. Each sheet must be **signed** by the **debtor** and **verified** by **oath** or declaration: any **material omission** in the statement relating to his affairs rendering him liable to imprisonment, not exceeding two years. It will be noted that the principal difference between the preparation of a B/S. and a Statement of Affairs is in the classification of the liabilities under the heads of "Unsecured," "Fully Secured," "Partly Secured," and "Preferential" Creditors, the value of the securities being shown as a *deduction* and *not* among the assets. Where the securities are likely to realise more than the debt, the *difference* only comes under the head of the assets; from which is also deducted the total amount due to "Preferential" Crs.

**450.** In **partnerships,** the bankruptcy of one partner constitutes a dissolution of the partnership subject to any agreement between the partners. The *dissolution* dates from the act of bankruptcy, and the authority of the bankrupt to deal with the partnership assets is determined from that date. The accounts between the

trustee of the bankrupt person and the solvent partners are made up from the same date, except as to profits made by the solvent partners subsequent to the bankruptcy by employment of the capital existing at the date of the bankruptcy, of which the trustee is entitled to an account. The **trustee** in bankruptcy does not become a co-partner with the solvent partners, and although he is in strictness entitled to put a person in possession of the whole of the property of the firm it is seldom done, as the solvent partners, either by consent, or through the intervention of the Court, make arrangements for securing to the trustee payment of the bankrupt's share in the assets of the firm. Where any one partner remains solvent, and in a position to be entitled to deal with the partnership estate, there will be no distribution of the partnership assets in bankruptcy, but in all other cases, partnership assets, to the extent of the interest of the bankrupt, will be administered, as well as his separate estate; and wherever there is administration of the partnership assets the administration of the joint and separate estates will be kept distinct.

**451. Joint Creditors** must first be paid out of the partnership or *Joint Estate*, and the **separate** creditors out of the *Separate* Estate of each partner; and if there be a **surplus** of the Joint Estate besides what will pay the joint creditors, the same is applied to pay the separate creditors. If there be, on the other hand, a surplus of the Separate Estates beyond what will satisfy the separate creditors, it is applied towards the deficiency that may remain as to the Joint creditors, but such creditors are not entitled to more than the full amount of their debts, together with 4% per annum interest from the date of the R.O. Where a person is **partner** in **several firms,** all of which become bankrupt, the surplus of his Separate Estate will be distributed amongst the several Joint Estates in proportion to their liabilities.

**452.** With the view of avoiding the publicity associated with bankruptcy proceedings and the legal disabilities arising therefrom, **insolvent debtors** frequently make **arrangements** with their **creditors,**

whereby the latter accept either (**1**) an assignment of the debtor's property ; (**2**) a stated composition ; or (**3**) payment in full by instalments in discharge of their respective debts, either absolutely or upon certain conditions. Such arrangements are generally embodied in a document known as a **Deed of Arrangement,** which, according to the Act of 1887, includes any of the following instruments, whether under seal or not, made by, for, or in respect of the affairs of a debtor for the benefit of his creditors generally, or with certain creditors professing to act on behalf of themselves and all the other creditors privately. (**a**) An Assignment of property ; (**b**) a Deed of or Agreement for Composition ; (**c**) a Deed or Inspectorship entered into for the purpose of carrying on, or winding up, a business ; (**d**) a Letter of Licence, authorising the debtor or any other person to manage, carry on, realise or dispose of the debtor's business with a view to the payment of his debts ; (**e**) any agreement or instrument entered into for the purpose of carrying on, or winding up, a debtor's business or authorising the debtor or any other person to manage, carry on, realise or dispose of the debtor's business with a view to the payment of his debts ; (**f**) any instrument for the benefit of any three or more creditors, in like manner as if such instrument had been made by, for, or in respect of the affairs of the debtor for the benefit of his creditors generally. All such Deeds must be registered with the Registrar of Bills of Sale within seven clear days after the first execution thereof by the debtor or any creditor. The Trustees under Deeds of Arrangement must transmit periodical statements of account to the Board of Trade not later than the 30th of January in each year.

**453.** The most common form of **Deed of Arrangement** is one whereby the debtor **transfers** all his **property** to a **trustee** for the benefit of the creditors generally, in consideration of their releasing him from the debts he owes to them ; the trustee under the deed being directed to realise the estate and to distribute the product among the creditors *pro rata* according to their claims. The deed is usually made between the debtor

one or more creditors, and a trustee for the latter, the trustee appointed usually being an accountant. A Deed of Arrangement is void unless, before or within **21 days** after the registration thereof, or within such extended time as the Court may allow, it has received the assent of a majority in number and value of the creditors of the debtor. The List of Creditors annexed to the affidavit of the debtor filed on the registration of the Deed is *primâ facie* evidence of the names of the creditors and the amounts of their claims ; and the creditor's assent is shown by his either executing the Deed, or by his sending to the Trustee his assent in writing, attested by a witness. In calculating the **majority** of creditors for the purpose of assent, a secured creditor is to be reckoned as a creditor only in respect of the balance due after deducting the value of his security, and creditors for less than £10 are to be reckoned in the majority in number, but not in the majority in value. If the requisite majority is obtained the Trustee, within 28 days of registration, files with the Registrar of Bills of Sale a statutory declaration to this effect, and once this is done, any person can safely purchase the debtor's assets from the Trustee. If the requisite consent is not obtained, the Deed is **void** and the Trustee incurs a heavy fine if he continues to act under it, unless he can satisfy the Court that his action was due to misadventure, or was necessary for the protection of the estate. It is the duty of the Trustee, at intervals of six months during his conduct of the administration until the estate is finally wound up, to send to each creditor who has assented to the Deed a **Statement** of **Accounts,** and of all his proceedings under the Deed brought up to date. When the Trustee transmits to the Board of Trade the annual accounts verified by affidavit, he must state whether he has complied with the above provision, and give the dates on which the accounts were sent to the creditors.

**Bankruptcy Exercise 1.**

Prepare Statement of Affairs and Deficiency A/c. of Coon & Co., a firm of shippers, who filed their petition on 31st Dec., 1906. Their books showed that they owed £40100, of which

creditors amounting to £6500 held stock of the estimated value of £7500, others amounting to £29000 held stock of the estimated value of £15000 and a mortgage on the property at Calcutta valued at £13000, and £100 was for rent of warehouse. Bills had been discounted amounting to £3500, in respect of which it was estimated the firm would be liable for £560. The assets consisted of Good Book Debts, £1500; Doubtful £600, estimated to produce £300; and Bad, £700; Furniture and Fittings, £300, estimated to realise £150; Cash at Bankers, £50, B/R., £350; Stock, £1600, estimated to produce £1200. The firm commenced business on 1st Jan., 1902, with a capital of £25000. After *charging* £1000 a year for int. upon cap., and £1300 a year for partners' salaries (which were credited to the Capital A/c. and *not* withdrawn), they made a profit in the first year of £2700, but in the succeeding four years losses were incurred of £2500, £3200, £4500, and £6000 respectively, while they drew out cash at the rate of £1200 a year. The property at Calcutta cost £22000, and the stock mortgaged was subjected to a discount of 25%.

**Answer.**—*Deficiency* £1550.

### Bankruptcy Exercise 2.

On 1st January, 1902, three gentlemen bought a Calico Printing Business for £400000. On 31st December, 1906, they were compelled to stop payment, their *Assets* being :—

| | |
|---|---|
| Land, Buildings, and Machinery, &c. | £300000 |
| Which were estimated to realise | 100000 |
| Sundry Investments £110000; Estimated to realise | 26500 |
| Trade Marks £25000; Estimated to be of no value. | |
| Cash in hand £1200; Bills Receivable | 2000 |
| Stocks and Consignments, less Advances | 175000 |
| Estimated to produce, £125000. | |
| Debtors :—Good £50000; Bad | 18800 |
| Doubtful £50000; Estimated to realise | 10000 |
| *Liabilities* :—Salaries and Wages unpaid | 5000 |
| Bills Discounted £50000; liability expected thereon | 15000 |
| Sundry Creditors (including the Bank £125000) | 355500 |
| Of which £70000 held the security of the Land, Buildings, Machinery, &c., and £30000 held a charge over the whole of the Investments. | |

Prepare Statement of Affairs and Deficiency A/c. Their trading was carried on at losses of £10000, £25000, £24000, £18000 and £29000 respectively each year, after charging the P. & L. A/c. with their own salaries of £3000 a year each, £20000 a year for Depreciation of Buildings and Machinery, and £20000 a year for Int. on Cap. They also *drew out* £1500 a year each in addition to their salaries.

**Answer.**—*Deficiency* £60800.

### Bankruptcy Exercise 3.

Green & Smart are in partnership as drapers, and find they are unable to meet their liabilities. Prepare Statement of Affairs

Trade Creditors £3000; Cash Creditors:—Mrs. Green £500 Miss Smart £300.

(It is expected that Mrs. Green will not press her claim.)

James Jones, secured by Mortgage on premises, the estimated value of which is £1250 ..... £1000

Creditors:—Wages £50; Rent and Taxes £30; Rent (distrainable) ..... 100

*Assets* (in addition to property mortgaged to Jones):—

Cash ..... 20

Sundry Debtors:—Good £600; Bad £200.

Doubtful £300, estimated to produce 100

Stock £1000, estimated to produce ..... 700

Fixtures & Fittings £300, estimated to produce ..... 150

**Answer:**—*Deficiency* £1660.

### Bankruptcy Exercise 4.

William Roberts and Henry Pollard carry on business together as Cloth Merchants. Being insolvent they file their petition.

| *Assets* of Firm. | Valued at. | Estimated to produce. |
|---|---|---|
| Fixtures & Fittings ..... | £400 | £200 |
| Stock-in-Trade ..... | 6000 | 4500 |
| Sundry Debtors:—Good ..... | | 1200 |
| Doubtful .....300 | | 100 |
| Bad ..... 300 | | nil. |
| Bills Receivable ..... | 500 | 400 |

Bradford Mills Co., Ltd., 50 £5 Shares fully paid, quoted on the Exchange at $3\frac{3}{4}$—$4\frac{1}{4}$.

Freehold Property, valued at £3250. Cash in hand £12. Unsecured Creditors, £8000; Mortgage on Freehold Property, £3000; Charles Dean for Loan, £1000, for which he holds the Bradford Mills Co.'s Shares as security; Liability on bills discounted (none of which are expected to rank), £200; Landlord for distrainable rent, £50; Creditors for Rates, Taxes, Wages, &c., £320, payable in full.

The *separate estate* of William Roberts showed a surplus of £200, whilst that of Henry Pollard showed a deficiency of £500. Prepare a joint Statement of Affairs of Roberts and Pollard.

**Answer:**—*Deficiency* £2308.

### Bankruptcy Exercise 5.

On 31st December, 1911, Bill Bailey is unable to meet his engagements. His Liabilities are:—Underbank Banking Co., Ltd., £1200 (as security for which they hold £1500 Debenture Stock of the Berkshire Railway Co.); Unsecured Creditors £4000; his Father £3000 (who holds a Mort age on the Premises); Wages £100; Chief Rent (half-year) £15; Bills Discounted £500 (one-half of which will probably rank against the estate). His Assets are:—Buildings, of the value of £2000; Machinery, of the value of £1500; Fixtures, &c., of the value of £200; Debenture Stock of the Berkshire Railway Co., value £1500; Stock, estimated to realise £1500; Book Debts, Good £1000; Book Debts Doubtful £200 (estimated to realise £100); Book Debts, Bad

£150; Cash £15. Prepare the Statement for submission to his Creditors.

**Answer**:—*Deficiency* £750.

### Bankruptcy Exercise 6.

Prepare a Statement of Affairs of Henry Swank from the following particulars at 31st March, 1912:—

| | | | | |
|---|---|---|---|---|
| Freehold Land & Buildings | £5000, | Estimated to produce | | £4500 |
| Book Debts—Good | 1000 | | | |
| Doubtful | 300 | do. | do. | 100 |
| Bad | 500 | do. | do. | nil |
| Stock-in-Trade | 1500 | do. | do. | 1000 |
| Plant & Machinery | 1200 | do. | do. | 600 |
| Cash in hand | 25 | | | |
| Household Furniture & Effects | 300 | do. | do. | 180 |

Mortgage on the above Freehold Land & Buildings, £3500, at 5%. The Interest was paid to 31st December, 1911.

Trade Creditors, unsecured £2500; Cash Crs., unsecured, £1000.

Bank Overdraft £1000, the Bank holding, as security, a policy for £2000, payable at death, premium £50 per annum, surrender value 31st March, 1912, £600; Preferential Creditors for Rent, Rates, Taxes & Wages, £300.

**Answer**:—*Deficiency* £338 15.

### Bankruptcy Exercise 7.

On 31st December, 1912, the firm of Long & Short suspend payment, and you are supplied with the following particulars from which to prepare a Statement of Affairs and a Deficiency A/c.

| Liabilities. | £ | Assets. | £ |
|---|---|---|---|
| Sundry Trade Creditors | 2820 | Land & Buildings | 7200 |
| Sundry Cash Creditors | 1000 | Stock-in-Trade | 1050 |
| Loans on Mortgage | 5000 | Sundry Debtors | 820 |
| Capital:— | | Trade Fixtures | 50 |
| Long, 1st Jan., 1912 £820 | | Machinery & Plant | 560 |
| *Less* Net Loss .. 400 | 420 | Cash in hand | 35 |
| Short, 1st Jan., 1912 675 | | | |
| *Less* Net Loss .. 200 | 475 | | |
| | £9715 | | £9715 |

The partners' drawings have each been at the rate of £250 per annum and have been paid in cash and charged as a working expense. The assets have to be depreciated as follows:—Land & Buildings, 25%; Stock-in-Trade, 15%; Machinery, 10%. The Book Debts represent Good £400, Doubtful £300, and Bad £120. Value the Good Debts at 10% off, the Doubtful at half their nominal amount, and the Bad at nil. The partners have no separate liabilities, and Short alone has assets represented by Household Furniture, £50. **Answer**:—*Deficiency* £1378 10.

**Exercises** numbered **121, 122, 128, 130. 137, 161, 162, 163,** further illustrate **Bankruptcy** matters.

# ROYALTY ACCOUNTS.

**454.** A **Royalty** is a payment made by one person to another in return for some privilege or concession ; as, for instance, (**1**) the payment made by a manufacturer to the inventor for the use or sale of a patent, (**2**) the percentage of profits or amount per copy paid by the publisher to the author for the privilege of publishing his works ; or (**3**) the payment of a colliery proprietor (*the lessee*) to his landlord (*the lessor*) for every ton or acre of coal and other minerals extracted. It will be noticed that the amount of royalty will vary according to the sale or production.

**455. A Minimum** or **Dead Rent** is that annual sum payable by a person, who has taken a lease of a mine, to his landlord, irrespective of whether the quantity of minerals raised during that period justifies it or not ; in fact, as its name implies, such rent would be payable if the mine were not worked at all. Minimum rent is variously called *fixed* rent, *certain* rent, *head* rent, and *sleeping* rent. The **Royalty Rent** is that which fixes the *maximum*, as compared with the *minimum*, and is sometimes called *Tentail* or *Acreage Rent*.

**456. Short Workings** or **Redeemable Dead Rents** occur where the **Royalty Rent** for a given year does *not* reach the amount payable for Minimum Rent. In Leases of mines it is usual to fix the Royalties at so much per ton or acre, but in order that the *landlord*, known as the *lessor*, shall not be deprived of a reasonable income from such properties, a Minimum Rent is agreed upon, which the *lessee* is bound to pay to the *lessor*, regardless of whether any minerals are extracted or not. Suppose a case where the Minimum Rent is £500 per annum, and the *maximum* or **Royalty Rent** on the output for a given year is £550, this latter amount or £50 *excess* of Minimum Rent, would be payable to the landlord or *lessor* ; but should the Royalty Rent of the output have only reached £450, the Minimum Rent of £500 would still be payable, and the *difference* of £50

would be called the *Short Working*. A lessee is generally allowed to recoup himself in respect of *Short Workings* out of *future* Royalties which may be in excess of the Minimum Rent. Where this provision exists, and where also, by reason of the length of the lease and all other circumstances, the lessee will be able to avail himself of such a power, the value of *Short Workings* may be treated in the accounts and B/S. as a temporary asset. Although the average clause in the Lease confers the right to recoup *Short Workings* out of future *Over Workings*, it does not permit of the application of the *Over Workings* of *past* years towards subsequent *Short Workings*, because of the minimum or dead rent clause.

**457. Income Tax,** at the highest rate, should always be deducted by the lessee on the payment of Mineral Royalties to the lessor, as the lessee is accountable to the Revenue for the tax on the Royalty-owner's income in pursuance of the principle whereby the authorities collect tax upon income at the source, wherever possible.

**458.** When the Minimum Rent, for a given period, *exceeds* the Royalty Rent, debit the *Royalties A/c.* with the Royalties earned, debit the *Redeemable Dead Rent A/c.* with the *difference* between the Royalties earned and the Minimum Rent, and credit the *Landlord's A/c.* with the *total* Minimum Rent for the period. When the Royalty Rent *exceeds* the Minimum Rent debit *Royalties A/c.* and credit *Landlord's A/c.* with the total, but should there be Redeemable Dead Rent outstanding, then credit *Dead Rent A/c.* with the *difference* between the Minimum Rent and Royalty Rent, and credit the Landlord's A/c. with the Minimum Rent only. The following transactions, journalised and posted on the next two pages, illustrate the manner of dealing with *Short Workings*.

**Example.** A Colliery is worked under a forty years' lease, granted by the Duke of Leeds, at a Royalty at 1/- a ton, with a Minimum yearly rent of £1500, with power to recoup Short Workings. In the first year 24000 tons are worked; in the second 25000; in the third 26800; in the fourth 32000; and in the fifth 34500

**Journal of Colliery Co.**

| | | | Dr. | Cr. |
|---|---|---|---|---|
| (1) | Royalties A/c. | Dr. | £1200 | |
| | Redeemable Dead Rent A/c. | „ | 300 | |
| | To Duke of Leeds (Landlord) | | | £1500 |
| (2) | Royalties A/c. | Dr. | 1250 | |
| | Redeemable Dead Rent A/c. | „ | 250 | |
| | To Duke of Leeds (Landlord) | | | 1500 |
| (3) | Royalties A/c. | Dr. | 1340 | |
| | Redeemable Dead Rent A/c. | „ | 160 | |
| | To Duke of Leeds (Landlord) | | | 1500 |
| (4) | Royalties A/c. | Dr. | 1600 | |
| | To Redeemable Dead Rent A/c. | | | 100 |
| | „ Duke of Leeds (Landlord) | | | 1500 |
| (5) | Royalties A/c. | Dr. | 1725 | |
| | To Redeemable Dead Rent A/c. | | | 225 |
| | „ Duke of Leeds (Landlord) | | | 1500 |

The debit on **Royalties A/c.** requires to be transferred annually to the *Trading A/c.* and the credit on **Landlord's** or **Lessor's A/c.** would either be closed by Cash payments or appear in the B/S. as a liability. The debit on **Redeemable Dead Rents A/c.** (£300 first year, £550 second year, £710 third year, £610 fourth year, £385 fifth year) would appear in the respective Balance Sheets as an asset.

**Dr.** **Royalties A/c.** **Cr.**

| | | £ | | | £ |
|---|---|---|---|---|---|
| 1908 | | | 1908 | | |
| Dec. 31 | To Landlord .... | 1200 | Dec. 31 | *By Trading A/c...* | 1200 |
| 1909 | | | 1909 | | |
| Dec. 31 | To Landlord .... | 1250 | Dec. 31 | *By Trading A/c...* | 1250 |
| 1910 | | | 1910 | | |
| Dec. 31 | To Landlord .... | 1340 | Dec. 31 | *By Trading A/c...* | 1340 |
| 1911 | | | 1911 | | |
| Dec. 31 | To Dead Rent.... | 100 | Dec. 31 | *By Trading A/c...* | 1600 |
| „ 31 | „ Landlord .... | 1500 | | | |
| | | £1600 | | | £1600 |
| 1912 | | | 1912 | | |
| Dec. 31 | To Dead Rent.... | 225 | Dec. 31 | *By Trading A/c...* | 1725 |
| „ 31 | „ Landlord .... | 1500 | | | |
| | | £1725 | | | £1725 |

## Redeemable Dead Rent or Short Workings A/c.

**Dr.** **Cr.**

| | | £ | | | £ |
|---|---|---|---|---|---|
| 1908 | | | 1908 | | |
| Dec. 31 | To Landlord .... | 300 | Dec. 31 | *By Balance ....c/d* | 300 |
| | | | 1909 | | |
| 1909 | | | | | |
| Jan. 1 | To Balance ..b/d | 300 | Dec. 31 | *By Balance ....c/d* | 550 |
| Dec. 31 | ,, Landlord .... | 250 | | | |
| | | £ 550 | | | £ 550 |
| 1910 | | | 1910 | | |
| Jan. 1 | To Balance ..b/d | 550 | Dec. 31 | *By Balance ....c/d* | 710 |
| Dec. 31 | ,, Landlord .... | 160 | | | |
| | | £ 710 | | | £ 710 |
| 1911 | | | 1911 | | |
| Jan. 1 | To Balance ..b/d | 710 | Dec. 31 | By Royalties .... | 100 |
| | | | ,, 31 | ,, *Balance ....c/d* | 610 |
| | | £ 710 | | | £ 710 |
| 1912 | | | 1912 | | |
| Jan. 1 | To Balance ..b/d | 610 | Dec. 31 | By Royalties .... | 225 |
| | | | ,, 31 | ,, *Balance ....c/f* | 385 |
| | | £ 610 | | | £ 610 |

**Dr.** **Duke of Leeds (Landlord's A/c.)** **Cr.**

| | | £ | | | £ |
|---|---|---|---|---|---|
| 1908 | | | 1908 | | |
| Dec. 31 | To Cash ..... | 1500 | Dec. 31 | By Royalties .... | 1200 |
| | | | ,, 31 | ,, Dead Rent .. | 300 |
| | | £ 1500 | | | £ 1500 |
| 1909 | | | 1909 | | |
| Dec. 31 | To Cash ..... | 1500 | Dec. 31 | By Royalties .... | 1250 |
| | | | ,, 31 | ,, Dead Rent .. | 250 |
| | | £ 1500 | | | £ 1500 |
| 1910 | | | 1910 | | |
| Dec. 31 | To Cash ..... | 1500 | Dec. 31 | By Royalties .... | 1340 |
| | | | ,, 31 | ,, Dead Rent .. | 160 |
| | | £ 1500 | | | £ 1500 |
| 1911 | | | 1911 | | |
| Dec. 31 | To Cash ..... | 1500 | Dec. 31 | By Royalties .... | 1500 |
| 1912 | | | 1912 | | |
| Dec. 31 | To Cash ..... | 1500 | Dec. 31 | By Royalties .... | 1500 |

### Royalties Exercise 1.

The Altofts Colliery Company are lessees of a mine at a dead rent of £2000 per annum, merging into a royalty of eightpence per ton. Dead rent paid in excess of actual royalties is recoverable thereout during the next five years succeeding the year in respect of which such excess was paid. The first year in respect of which the dead rent was payable expired on the 31st December, 1908. The excess paid in respect of the first year was £2000; of the second year, £1450; and of the third year, £350. In the fourth year the actual royalties amounted to £2750; in the fifth year to £3250; in the sixth year to £3600; and in the seventh year (in consequence of a strike) to £1850 only. Set out for the seven years the Nominal Ledger A/c. of "Royalties" in respect of this lease, carrying forward each year as an asset any excess of dead rents paid recoverable in subsequent years, and showing on this basis the amounts charged each year to trading in respect of royalties.

### Royalties Exercise 2.

The Barnsley Colliery Company are lessees of a mine at a dead rent of £2000 per annum, merging into a royalty of eightpence per ton. Dead rent paid in excess of actual royalties is recoverable thereout during the next five years succeeding the year in respect of which such excess was paid. The excess paid in respect of the first year was £2000; of the second year £1450; of the third year, £350. In the fourth year the actual royalties amounted to £2750; in the fifth year to £3250; in the sixth year to £3600; in the seventh year (in consequence of a strike) to £1850 only. Show Journal entries recording these transactions in the books of the Colliery.

### Royalties Exercise 3.

The Consett Colliery Company took a lease of a mine for a period of twenty years, from 1st January, 1907, upon the terms of a royalty of sixpence per ton upon the output with a minimum rent of £200 per annum, and with power to recoup short workings over the first four years of the lease. The annual outputs for the five years following the granting of the lease were as follows:—1907, 5000 tons; 1908, 8000 tons; 1909, 10000 tons; 1910, 10000 tons; 1911, 12000 tons. Prepare Journal, post and complete the necessary A/cs. in the Colliery Books.

**Exercises numbered 135, 139, 154, 158,** further illustrate dealings with Royalties.

# COST ACCOUNTS.

**459. COST A/CS.,** which chiefly concern productive or manufacturing businesses, provide a method of ascertaining the cost of the production of an article or the result of a contract. It is necessary, for the successful working of any concern, that the proprietor should be kept constantly informed as to the cost of manufacture in all its details, so that he may fix the **Selling Price** at such figure as will produce an adequate profit. Cost Accounts have been defined as systematic, and, as far as possible, exact records of those transactions which relate to manufacturing, with the view of arriving at an approximately accurate representation of the cost, both direct and indirect, of the output of a factory or shop. Lines of organisation rather than similarity of products, provide the clearest basis for a system of Cost A/cs. It follows, therefore, that all industries or undertakings may be classified according to their lines of organisation. By this means it is possible to treat separately the special problems and requirements of each group, and to indicate the methods which are separately applicable to any particular organisation of business.

**460.** Cost A/cs. have been **grouped** as follows :—(1) **Departmental Costs**—For finding the cost of working each department of a factory. (2) **Multiple Costs**—Applicable to undertakings where a number of products are involved bearing little or no apparent relation to each other in cost or selling price, such as Engineering Specialities, Cycles, Hosiery, Boots, Furniture, Agricultural Implements, in which standardisation in parts is carried to a high degree of specialisation in manufacturing. (3) **Terminal** or **Contract Costs**—Applicable to undertakings where definite contracts are entered into in which the costing is definite and terminating, such as Contractors, Engineers, Shipbuilders and the like. (4) **Single** or **Output Costs**—Applicable to Breweries, Collieries, Quarries, Mines, and businesses in which there is a natural unit of costs, as the barrel of liquor brewed, or

the ton of minerals raised, &c. (5) **Process Costs**—Applicable to Chemical Industries, Food Products, &c., in which conversion of material takes place, and there are principal and by-products, such as Tanners, Fellmongers, where it is advisable to ascertain the cost of each stage in the process of manufacture. (6) **Operating** or **Working Costs**—As Railways, Tramways, Gas and Water Undertakings, Electricity, and similar industries.

**461.** It must be noted that Cost A/cs. alone deal with the **practical administration** of the factory or shop, and are therefore quite distinct from the ordinary a/cs. dealing with the purely financial affairs of the concern. Although affected by, they are independent of, the commercial records of the purchases, and while they are closely associated with the sale prices, the record of the sales is not in any way connected with them. The principal **difference** between Cost A/cs. and Commercial A/cs. is that while the former endeavour to arrive at the net result of manufacturing by *analysis*, through the medium of a series of small Trading or P. & L. A/cs. the Commercial A/cs. aim at grouping together in the general Trading and P. & L. A/cs., the result, not of each item of work, but of each class of expenditure. It is essential in any costing system that the Cost Books should fit in with the commercial books sufficiently to permit of comparison and the checking of results, so that a further aid in the discovery of errors is obtained. But no entry in the General Commercial Books should be posted to the Cost Ledger, and no entry in the Cost Books should be posted into the General or Commercial Books.

**462.** The **cost** of a piece of work refers to the total cost and consists of the outlay in (1) Material, (2) Labour and (3) On-cost or Fixed Charges, all of which must be reckoned before any profit can be earned. **Prime** or **flat** or **first cost** consists of (1) **Material,** (2) **Labour,** (3) **Direct expenses,** or establishment or departmental charges connected with production and motive power, including (*a*) Wages of Superintendents, Foremen, Cleaners, &c.; (*b*) Royalties, Wayleaves and Patent

**Fees ; (c) Rent, Rates and Taxes and Insurance, Lighting and Heating, and Depreciation and Upkeep of Plant, and Factory Buildings. In the Total Cost** there must be included (**4**) **Indirect** Charges, **overhead,** or **fixed** or **On-cost,** being Expenses of Selling, Distribution and Administration, including upkeep of Offices and Warehouse, Travellers' Salaries, Commissions and Expenses, Salaries, &c., of Directors, Officers and Managers, Interest and Financing Expenses, Bad Debt Allowance, &c. The *total* of Prime Cost and On-cost is **Total Cost,** Gross Cost or Cost of Production.

**463.** The **Selling Price** is therefore the sum of (1) Material (2) Labour (3) Direct Expenses (4) Indirect Expenses (5) **Profit.** There are two essentially different classes of Cost A/cs. The system adopted by contractors, engineers, builders, printers, &c., is in effect to keep a separate a/c. of each contract, so that the profit or loss of that particular contract may be readily ascertained, the accuracy of the Cost A/cs. as a whole being tested periodically by a comparison of the aggregate results with the general P. & L. A/c. The keeping of these a/cs., of course, involves a very careful detailed analysis of every item of expenditure. This should be done in the **Cost Book** or **Cost Ledger,** which is specially ruled for the purpose, while the ordinary proprietary a/cs. of the business are kept in the Impersonal Ledger in precisely the same manner as though no Cost A/cs. were in operation.

**464.** In the case of **collieries, ironworks,** &c., which practically only deal in one class of goods, extended over an indefinite period, the Cost A/c. is in effect nothing more than a Trading A/c. for a very short period, either a week, fortnight, or a month; its object being to ascertain how the cost of producing a commodity dealt in compares with its market price, both items being necessarily of a fluctuating character. The methods of keeping Cost A/cs. vary, of course, with each class of business, and while these a/cs. are not very difficult in some small concerns, in others they are of a very difficult and elaborate character, requiring great skill in

their manipulation. The principal difficulty in costing is in devising a suitable system, which, in the first place, should be fairly simple, relying on experience to indicate any improvements or extensions. It is advisable to have **printed forms** or **cards** for each department in order to ensure a systematic and reliable basis upon which to prepare the a/cs.

### Brick Manufacturing Cost Sheet.

| Description of Charge. | January. Cost. | January. Cost per 1000 | February. Cost. | February. Cost per 1000 |
|---|---|---|---|---|
| | £ s. d. | s. d. | £ s. d. | s. d. |
| Labour:— | | | | |
| Digging Clay | 30 - - | 6 - | 20 - - | 3 9·71 |
| Kilning | 35 - - | 7 - | 25 - - | 4 9·14 |
| Making, Pressing, &c. | 33 5 - | 6 7·8 | 27 - - | 5 1·71 |
| Locomotive Driver | 6 - - | 1 2·4 | 6 - - | 1 1·71 |
| Carting, counting, stacking, loading, &c. | 20 2 6 | 4 0·3 | 15 7 - | 2 11·08 |
| Materials and stores used:— | | | | |
| Coal and Coke | 25 - - | 5 - | 15 - - | 2 10·28 |
| Stores, &c. | 10 - - | 2 - | 5 - - | - 11·42 |
| Indirect Charges:— | | | | |
| Depreciation | 20 - - | 4 - | 20 - - | 3 9·71 |
| Proportion of establishment charges... | 50 - - | 10 - | 35 - - | 5 6 |
| | 229 7 6 | 45 10½ | 168 7 - | 30 10·76 |

SUMMARY OF ABOVE SHEET.

| Month. | Quantity Manufactured. | Cost of Manufacture per M. | Quantity sold. | Sales, less returns. | Average price per M. realised. | Stock. | Remarks. |
|---|---|---|---|---|---|---|---|
| 1907 | M | £ s. d. | M | £ | £ s. d. | M. | |
| January... | 100 | 2 5 10½ | 50 | 120 | 2 8 - | 50 | |
| February | 105 | 1 10 10·76 | 105 | 249 7 6 | 2 7 6 | 50 | |

### Cost Sheet of Pig Iron.

| | | | | |
|---|---|---|---|---|
| Limestone | | £93 15 - | 375 tons | 3 1 |
| Tap Cinder | £250 6 6 | | 527 tons | |
| Ore from Kilns | 249 17 - | | 527 tons | |
| Manganese Ore | 171 17 6 | 672 1 - | 62½ tons | 21 9 |
| Coke | | 953 12 - | 720 tons | 30 11 |
| Coal to Boilers | | 21 10 - | 26 tons | 8 |
| Estimated Delivery | | 38 11 3 | | 1 3 |
| Cash Discounts on Sales | | 46 5 6 | | 1 6 |
| Stores and Repairs | | 145 - - | | 4 10 |
| Wages | | 189 6 10 | | 6 1 |
| Rates and Taxes | | 17 - - | | |
| Clerks' Salaries | | 28 - - | | 2 5 |
| Management Salaries | | 25 - - | | |
| Sundry Expenses | | 5 - - | | |
| Cost of production of Pig Iron per ton.....s. | | | | 72 6 |

# PARTICULARS OF MAKE AND COST BOOK OF CLOTH.

PATTERN OR RANGE No. *828.* DESCRIPTION *⅘ Suiting.* OUNCES PER YARD *20.*

| Shade No. of Yarn. | Counts of Warp. | Counts of Weft. | Set in Loom. Ends in Dent. | Dents per inch. | Inches wide. | Picks per Inch. | Plan No. | Weight of Warp. | Weight of Weft. | No. of Beams. | Method of Warping. | Quantity. | Costings. | £ s. d. | £ s. d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 32 | 20 skeins back twist. | 20 skeins front twist. | 4 X 15 X 70 | | | 64 | 1 | 43 | 41 | 1 | All plain. | No. 1 | 43 lbs. warp @ 2s. | 4 6 - | |
| | | | | | | | | | | | | | 42 lbs. weft @ 2s. | 4 4 - | |
| | | | | | | | | | | | | | *2½ per cent. allowance for waste | - 4 3 | 8 14 3 |
| | | | | | | | | | | | | | Warping | - 2 - | |
| | | | | | | | | | | | | | Sizing | - 1 4 | |
| | | | | | | | | | | | | | Pattern Weaving | - 1 8 | |
| | | | | | | | | | | | | | Weaving | - 12 - | |
| | | | | | | | | | | | | | Winding, drawing, tuning, &c. | - 4 2 | |
| | | | | | | | | | | | | | Mending, spiling, &c. | - 2 8 | |
| | | | | | | | | | | | | | Scouring | - 1 2 | |
| | | | | | | | | | | | | | Milling | - 1 3 | |
| | | | | | | | | | | | | | Dressing | - 1 2 | |
| | | | | | | | | | | | | | Cutting | - - 8 | |
| | | | | | | | | | | | | | Pressing | - - 6 | |
| | | | | | | | | | | | | | Dyeing (if piece-dyed) | | 1 8 7 |
| | | | | | | | | | | | | | Office and Warehouse Expenses | - 18 4 | |
| | | | | | | | | | | | | | Other expenses and charges (including rent, rates, power, etc., etc.) | 3 8 6 | |
| | | | | | | | | | | | | | Discount | - 8 - | 4 14 10 |
| | | | | | | | | | | | | | | | £14 17 8 |
| | | | | | | | | | | | | | Length finished— 52 yds. @ 5s. 8¾d., £14 17s. 11d. The cost of piece. | | |

* This allowance for waste is in winding, setting-up, waste in weaving, warping, &c.

# PRINTER'S COST SHEET.

ORDER No.—28920. Received—1/5/1914.

Name—*Huddersfield Corporation.*

Description—*12000 Foolscap 8vo. Corporation Year Books, 96 pages and cover, ¼-bound, roller basil, cloth sides with stiff boards, ruled to pattern, printed, perforated on 4 pp.*

## PRINTERS.

| | £ | s. | d. |
|---|---|---|---|
| Composition | 17 | 4 | - |
| Distribution | 4 | - | - |
| Imposition | 1 | - | - |
| Reading | - | 10 | - |
| Altering | 1 | - | - |
| Revising, &c. | | | |
| Stereotyping | | | |
| Total.....£ | 23 | 14 | - |

## MACHINES.

| | £ | s. | d. |
|---|---|---|---|
| Making Ready | 1 | 12 | - |
| Machining | 3 | 12 | - |
| Washing up | - | 6 | - |
| Bronzing, &c. | | | |
| Total.....£ | 5 | 10 | - |

## MATERIALS.

| | £ | s. | d. |
|---|---|---|---|
| Paper | 16 | 13 | 4 |
| Ink | 3 | 10 | - |
| Boards | 6 | 4 | 6 |
| Leather | 5 | 3 | 4 |
| Cloth | 8 | 10 | - |
| Ends | | | |
| Gold | | | |
| Sundries | - | 12 | 6 |
| Total.....£ | 40 | 13 | 8 |

## BINDERS.

| | £ | s. | d. |
|---|---|---|---|
| Ruling | 4 | 10 | - |
| Cutting | 1 | - | - |
| Paging | | | |
| Perforating | | | |
| Folding | 2 | 2 | - |
| Sewing | | | |
| Binding | 2 | 14 | - |
| Gumming | | | |
| Finishing | 1 | 6 | - |
| Sundries | 1 | 4 | - |
| Total.....£ | 12 | 16 | - |

## SUMMARY.

| | £ | s. | d. |
|---|---|---|---|
| Printing | 23 | 14 | - |
| Machining | 5 | 10 | - |
| Lithography | | | |
| Binding | 12 | 16 | - |
| Materials | 40 | 13 | 8 |
| Sundries | | | |
| Carriage | | | |
| | 82 | 13 | 8 |
| Profit 12½% on Cost | 10 | 6 | 8 |
| Total.....£ | 93 | - | 4 |

## ENGINEERING COST CARD.

*Card*..... *Pattern*..... *Description*..... *Class*.....
*Shop Order* ..... *Drawing* ..... *Quantity*..... *Material* .....

| Date. | Operations. | Time Charges. | | | Labour dissection. | | | | | | | | Labour. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. | Hours. | Rate. | Lathe. | Drill. | Slotting. | Planing. | Wh'lCtg | Fit'ing | | Mark off. | Forge. |
| | | | | | | | | | | | | | |
| | *Received Finished Stores* | | | *Date* / *No.* | | | | | | | | | |

These two Forms have been copied from "The Commercial Organisation of Engineering Factories," by permission of the Author, Mr. Henry Spencer, whose textbook is published by Messrs. E. & F. Spon, Ltd., 57 Haymarket, London, S.W.



### COMPARISON COSTS REGISTER.

*Card No.* 240. *Description:* Brake levers, pattern W. 853. *Class:* 40 H.P.

| Factory Order. | | Quantity. | Factory Cost. | | | | | | | | | | | | Average Cost each. | | | Remarks. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date. | No. | | Labour. | | | Material. | | | Est. Chge. | | | Total. | | | | | | |
| 1914. | | | | | | | | | | | | | | | | | | |
| June 22nd .... | 680 | 20 | - | 10 | 4 | 1 | 13 | 2 | - | 12 | 3 | 2 | 15 | 9 | - | 2 | $9\frac{1}{2}$ | |
| November 10th | 3134 | 20 | - | 10 | 7 | 1 | 14 | - | - | 13 | 1 | 2 | 17 | 8 | - | 2 | $10\frac{1}{2}$ | |
| 1915. | | | | | | | | | | | | | | | | | | |
| March 3rd .... | 5199 | 40 | 1 | - | $1\frac{1}{2}$ | 3 | 7 | 6 | 1 | 5 | - | 5 | 12 | $7\frac{1}{2}$ | - | 2 | $9\frac{3}{4}$ | Castings insufficiently annealed. |

# COST BOOK OF ELECTRICAL ENGINEER.

*Estimate Book Folio*, 15. **Contract No. 60.**—Grange Mansions. *Personal Ledger Folio*, 98.

| Material. | | | | | | Wages. | | | | Indirect Charges | | Total Cost. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date. | Requisition or Credit Note No. | Particulars. | Quantity. | Rate. | Amount | Date. | Particulars. | Folio. | Amount | Departmental Charges | Distributive Charges | |
| 1915 | | | | | £ s. d. | 1915 | | J. | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Jan. 21 | 1131 | $\frac{3}{22}$ D Cable | $\frac{1}{2}$ mile | £14 | 7 - - | Mar. 28 | Dept. A. | 6 | 15 - - | | | |
| ,, 21 | 1132 | $\frac{7}{23}$ ,, | $\frac{1}{2}$ ,, | £22 | 11 - - | ,, 28 | ,, B. | 6 | 14 - - | | | |
| Feb. 10 | *d*40 | Fuse Cases, No. 201 | 6 | 45/- | 13 10 - | ,, 28 | Outdoor | 6 | 150 - - | | | |
| ,, 10 | *d*50 | Dynamo— | | | | | Dept. A. 30% on Wages | 9 | | 4 10 - | | |
| | | 1500, 30 amps | 1 | | 35 12 6 | | ,, B. 25% on Wages | 9 | | 3 10 - | | |
| ,, 11 | 1191 | $\frac{3}{4}$in. Simp. Tubing | 800 ft. | 60/- | 2 8 - | | Outdoor, 20% on Wages | 9 | | 30 - - | | |
| ,, 11 | 1192 | $\frac{1}{2}$in. ,, | 500 ,, | 50/- | 1 5 - | | 10% on Shop Cost | 9 | | | 29 6 - | |
| ,, 11 | 1200 | $\frac{3}{4}$in. Bends | 3 doz. | 5/- | - 15 - | | | | | | | |
| Mar.22 | 1516 | $\frac{7}{18}$ D Cable | 220 yds. | £44 | 5 10 - | | | | | | | |
| | | | | | 77 - 6 | | | | | | | |
| Apl. 26 | 175 | *Less* $\frac{3}{22}$ D Cable | 110 yds. | £16 | 1 - - | | | | | | | |
| | | | | | 76 - 6 | | | | 179 - - | 38 - - | 29 6 - | 322 6 6 |
| | | | | | | | | | | | Net Profit | 97 13 6 |
| | | | | | | | | | | | Contract Price £ | 420 - - |

# INSURANCE ACCOUNTS.

**465. Insurance** is a **contract** by which a person, company, or society, in consideration of a gross sum or of a periodical payment, undertakes to pay a larger sum on the happening of a particular event. In other words, insurance is a contract entered into to provide against, or *make sure*, against possible loss by fire, storm, accident, &c., or to undertake to pay a sum of money on the death of a person, or on his attaining a given age, in consideration of a specified amount (called the premium, being paid to the *insurer*, by the *insured*, either periodically or at once. There are four principal kinds of insurance, viz. :—Life, Fire, Marine, and Accident.

**466.** The **consideration** is termed the **premium** or premiums ; the party entering into the undertaking, the **assurer** or **insurer** ; the party for whose benefit it is entered into, the **assured** or **insured** ; the happening of the event, the **risk ;** and the instrument containing the contract, the **policy,** which is a stamped deed given by the insurance company, to a person who has paid the premium, as a guarantee that it takes the risk ; in which deed the terms and conditions of the contract are set out in full. The interest which it is necessary for a person to have before he can effect an available insurance on his own account, and for his own benefit, is called an **insurable interest.** The Law requires the strictest good faith on the part of everyone who effects an insurance of any kind, so that the contract will be void if the insured has been guilty of **fraud,** or misrepresentation of any material circumstance, or concealment of any material fact, which lies within his private knowledge.

**467.** Insurance companies are either Proprietary or Mutual. A **Proprietary Office** has a paid-up capital, upon which dividends are payable, a *part* only of the profits of the business being available for distribution among the policy-holders. A **Mutual Office,** on the other hand, has no paid-up capital, the whole of the profits of the business being distributable among the policy-holders. A few life offices divide their business into **two sections—General** and **Temperance ;** the

members of the latter section consisting entirely of abstainers from alcoholic liquors. The same premiums are charged to both classes of members, but the accounts of the two sections are kept quite distinct. By reason of the lower death-rate among members of the Temperance Section, the profits distributable, in the form of bonus, are greater than those in the General Section.

**468.** Every office, no matter of what financial strength, has a series of **limits** beyond which it will not retain liability upon any **one risk.** The limits vary in the same office, according to the nature of the business, and in different companies with the position and importance of the company. It is the rule to retain a larger sum upon first-class or non-hazardous risks than upon hazardous ; and of extra hazardous business an office will generally **re-insure** or **re-assure** as much as possible. Suppose a fixed **limit** or **risk** of a given office is £10,000 and a proposal is received for £100,000. If the business is of a character with which the office can easily deal, it is accepted, and the surplus, *i.e.*, the *difference* between the *office limit* and the total amount of the policy or risk, is insured by the company accepting the proposal, *with other companies*, at the ordinary rate, less a liberal "trade" allowance for discount. This giving off of surplus risks is what is known as re-insuring or re-assuring, and the insurances so effected are termed *re-insurances* or *re-assurances*. Premiums paid in respect of re-insurances are always accounted for separately from the ordinary premiums, and are shown separately in the annual a/cs.

**469. LIFE INSURANCE** is generally the best and most effective form of providence. It is a cheaper and quicker way of creating an estate than ordinary saving, and is the only way of making a certain and immediate provision for those dependent upon oneself. Insurances should be effected (**1**) By husbands and fathers to make provision for themselves, widows and children, (**2**) By the young of both sexes ; because the sooner an insurance is begun the lower will be the premium and the greater the accumulated profits. (**3**) By the old ; because life is then more precarious, and the benefits the more required. (**4**) By the possessors of entailed estates, to

provide for the younger branches of their family. (**5**) In marriage contracts, to secure the terms of the settlement. (**6**) By **lenders** and **creditors** to compensate the loss which the death of their debtors might occasion. (**7**) By borrowers and debtors, to ensure, in case of death, a fund to pay their debts. (**8**) By holders of leases dependent upon a life or lives, to provide a fund to meet the fine, increase of rent, or loss of capital, which may ensue. (**9**) By expectants of property in reversion, to ensure it against contingency. (**10**) By purchasers of annuities on the lives of others to secure the capital laid out. (**11**) To provide for the payment of Estate Duty, so that the real and personal estate may be left untouched. (**12**) By **partners,** to provide against loss in case of a partner's death. This is very important, as the withdrawal of capital by the representatives of a deceased partner might cause serious embarrassment and even the ruin of a profitable business. A partnership insurance is in the nature of a joint insurance, or an insurance of joint lives. Upon the death of any one of the insured the sum insured is payable to the co-insured. As the premiums are paid for the benefit of all, they are generally charged to the business as part of its expenses, and the sum insured is devoted to pay out the capital of the deceased partner.

**470.** To those whose **incomes exceed £130** a year there is a special inducement to insure in the fact that they are entitled to an **abatement** of **income tax** in respect of the premium paid, but not exceeding one-sixth of their income. Thus, a person with an annual income of £140, paying a premium of £20 in respect of an insurance on either the life of himself or his wife, would be exempt from income tax.

**471.** The premium payable on acceptance of the proposal is known as the **First Premium,** subsequent payments being known as **Renewal Premiums.** In case of the **non-payment** of the premium in the stipulated manner, the policy will be void, and will not be revived by a subsequent receipt of the premium. Nor will it be an available excuse that the assured received no notice reminding him of the day for paying the premium ; for such **Renewal Notice,** as it is termed, though

customary, is not required by Law. Thirty days are allowed for payment of a Life Premium. In the event of a member dying during these **days of grace,** the policy is valid, but the premium will be deducted on the settlement of the claim.

**472.** A life policy becomes a **marketable security** after the payment of five annual premiums, carrying substantial loan and surrender values. The **Surrender Value** of a policy is that amount of money which the insurance company is willing to give to the insured if the latter surrenders or abandons his policy, and extinguishes his claim upon them. The older a policy is, or the greater the number of premiums paid upon it, the higher is the surrender value. In practice it is generally found that the *market value* of a life policy is from 15% to 20% greater than the surrender value. Some people are under a curious misapprehension as to the amount of money they may justly expect to have returned to them if they decide to abandon their policies and take surrender values. It should be remembered that the surrender value of a life policy is the balance remaining of the premiums received, and the interest thereon, *after deduction* of the cost of the risk of the insured dying, and his share of the expenses of management during the currency of the policy.

**473.** When a policy-holder, of three or more years standing is in need of ready money he can always obtain a **Loan** on the security of his policy from the insurance company at from 4% to 5%, according to the amount to be advanced, there being no charge beyond the interest and the payment of the stamp duty on the promissory note securing the repayment of the loan. **Money** may also be **borrowed** from private individuals on the security of a life policy, or the policy may be **sold** absolutely, in both of which cases it is necessary that the document embodying the contract as to the loan or sale, which is called an **Assignment,** should be properly stamped and a written **Notice** thereof (in duplicate) sent to the Head Office of the Company for registration, together with (in some cases) the statutory fee of 5/-. Business men sometimes deposit their life policies with their bankers to secure overdrafts.

**474.** The **Revenue A/cs.** of insurance companies are generally arranged in the reverse way to that which is ordinarily accepted as the correct one. The items representing *income* appear upon the left-hand, or debit, side of the a/c., while those relating to outgo are set out upon the right-hand, or credit, side of the a/c. **Life-assurance** Companies are governed by the Assurance Companies Act, 1909, which prescribes the form of accounts to be kept, and requires that a copy of the Annual Revenue A/c., P. & L. A/c., and Balance Sheet shall be lodged with the Board of Trade. The **profits** of a Life Insurance Co. are usually ascertained every five years, when a quinquennial **valuation** is prepared by the Actuaries and embodied in a **Valuation Balance Sheet,** similar to that shown on page 564, which shows a **Surplus** of £1,358,969, available in the case of a Proprietary Co. for distribution in dividends among the shareholders and in bonuses among the policy holders; but in a Mutual Co. the whole is divisible in bonus among the policy holders. It is usual to assume that the mortality of the policy holders will be no less favourable than that shown by the Mortality Tables, and that the Funds of the Company will yield, at least, interest at the rate of $2\frac{1}{2}\%$ per annum, clear, free of all deductions and losses of principal. Note the Revenue A/cs. of the four kinds of Insurance businesses, as well as the Profit & Loss A/c. and B/S. here given.

**General Accident Fire & Life Assurance Corporation, Limited.**

**Dr.** PROFIT & LOSS A/c. for the year ending 31st December, 1910. **Cr.**

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Balance from last year's A/c. | 8697 | 19 | 10 | Depreciation of Property, Furniture & Fittings ... | 6132 | 1 | - |
| Net Interest and Rents, less Income Tax, not carried to other Accounts ..... | 28979 | 8 | 6 | Provision for Income Tax, payable in 1911 ..... | 2525 | 14 | 4 |
| Transfer Fees..... | 85 | 9 | 1 | Proportion of Purchase A/c. written off..... | 3850 | 19 | 11 |
| Profit on Investments Realised..... | 3418 | 2 | 9 | Provision for Doubtful A/cs. ..... | 1904 | 5 | 10 |
| Balance carried from Fire Revenue A/c. ..... | 13872 | 18 | 8 | BALANCE ..... | 42965 | 11 | 3 |
| Balance carried from Accident and General A/c..... | 1332 | 13 | 6 | | | | |
| Shareholders' Proportion of Life Profits ..... | 992 | - | - | | | | |
| £ | 57378 | 12 | 4 | £ | 57378 | 12 | 4 |

## General Accident Fire & Life Assurance Corporation, Limited.

### Dr. Life Assurance Account for the year ending 31st December, 1910. Cr.

| | £ s. d. | | £ s. d. | | £ s. d. |
|---|---|---|---|---|---|
| Fund at beginning of year | 43971 - 1 | | | Claims paid | 4631 4 10 |
| Premiums £26580 2 6 | | | | Surrenders | 838 9 1 |
| *Less* Re-Assurances 2276 12 8 | 24303 9 10 | | | Commission | 2904 10 11 |
| | | | | Expenses | 1348 11 4 |
| Assignment Fees | 7 15 - | | | Written off Purchase A/c. | 80 - - |
| Fines | 13 18 7 | | | Carried to Profit & Loss A/c. | 792 - - |
| Interest £1895 10 11 | | | | Fund at end of year | 60006 2 4 |
| *Less* Income Tax 110 15 11 | 1784 15 - | | | | |
| Reserves against Industrial South African Co.'s Policies | 520 - - | | | | |
| | £ 70600 18 6 | | | £ | 70600 18 6 |

### Dr. Annuity Account for the year ending 31st December, 1910. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| Fund at beginning of year | 4182 1 6 | Commission | 32 10 9 |
| Purchase Money of Annuities | 1838 8 7 | Expenses | 15 12 6 |
| Interest £176 18 7 | | Annuity Payments £560 19 6 | |
| *Less* Income Tax 10 6 11 | 166 11 8 | *Less* Income Tax 17 19 8 | 542 19 10 |
| | | Fund at end of year | 5595 18 8 |
| £ | 6187 1 9 | £ | 6187 1 9 |

### Dr. Capital Redemption A/c. for the year ending 31st December, 1910. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| Fund at beginning of year | 1753 13 - | Commission | 51 15 8 |
| Premiums | 2078 5 6 | Surrender | 163 17 - |
| Interest £98 16 11 | | Carried to Profit & Loss A/c. | 200 - - |
| *Less* Income Tax 5 15 7 | 93 1 4 | Fund at end of year | 3509 17 2 |
| Assignment Fee | - 10 - | | |
| £ | 3925 9 10 | £ | 3925 9 10 |

## General Accident Fire & Life Assurance Corporation, Limited.

### Dr. Fire Account for the year ending 31st December, 1910. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| Fund at beginning of year— | | Losses paid after deduction of Re-Insurances | 75849 10 2 |
| Reserve for Unexpired Risks £47317 13 6 | | Commission | 11866 13 9 |
| Reserve for Outstanding Claims 12991 7 3 | 60309 - 9 | Expenses of Management | 34044 3 3 |
| Premiums 299824 12 9 | | Fund at end of year— | |
| *Less* Re-Insurances 154440 7 10 | 145384 4 11 | Reserve for Unexpired Risks £58153 13 11 | |
| | | Reserve for Outstanding Claims 11906 5 11 | 70059 19 10 |
| | | BALANCE carried to Profit & Loss A/c. | 13872 18 8 |
| £ | 205693 5 8 | £ | 205693 5 8 |

### Dr. Accident & General Account for the year ending 31st December, 1910. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| Fund at beginning of year— | | Claims paid after deduction of Re-Insurances | 647990 14 3 |
| Reserve for Unexpired Risks £272708 3 2 | | Commission | 294344 14 3 |
| Reserve for Outstanding Claims 249476 13 1 | 522184 16 3 | Expenses of Management | 257147 13 1 |
| Premiums, less Re-Insurances (including £445250 11s. 8d. of Monthly and other Short Period Premiums under which the Liability has expired) | 1290080 11 3 | Fund at end of year— | |
| | | Reserve for Unexpired Risks £281609 19 10 | |
| | | Reserve for Outstanding Claims 329839 12 7 | 611449 12 5 |
| | | BALANCE carried to Profit & Loss A/c. | 1332 13 6 |
| £ | 1812265 7 6 | £ | 1812265 7 6 |

# General Accident Fire & Life Assurance Corporation, Limited.

## Balance Sheet on 31st December, 1910.

| LIABILITIES. | £ s. d. | ASSETS. | £ s. d. |
|---|---|---|---|
| Shareholders' Capital:— | | Mortgages on Property within the United Kingdom ..... £51230 12 4 | |
| Subscribed 200,000 Shares of £5 each ..... | 1000000 - - | *Less* Loan ..... 27000 - - | 24230 12 4 |
| Whereof £1 5s. per Share has been called upon 199996 Ordinary Shares ..... £249995 | | Mortgages on Property out of the United Kingdom.. | 24349 18 8 |
| And whereof 10/- per Share has been called upon Preference Shares (these are the last of the issue of Preference Shares which were converted into Ordinary Shares in 1902) the holder having declined to convert ..... 2 | 249997 - - | Loans upon Personal Security..... | 16644 - - |
| | | Loans upon Life Policies and other Securities ..... | 31439 14 10 |
| General Reserve Fund ..... | 180000 - - | Investments—British Government Securities ..... | 22145 17 2 |
| Life Assurance Fund ..... | 60006 2 4 | Indian and Colonial Securities ..... | 94049 5 9 |
| Annuity Fund ..... | 5595 18 8 | Foreign Government Securities ..... | 221631 3 2 |
| Capital Redemption Assurance Fund ..... | 3509 17 2 | Railway and other Debentures and Debenture Stocks ..... | 303365 19 - |
| Fire Insurance Fund ..... | 70059 19 10 | Railway Shares, Preference and Ordinary ..... | 54844 12 10 |
| Reserve for Fire Bonus Policies ..... | 4083 6 10 | Bank and Commercial Companies' Stocks and Shares ..... | 24794 19 9 |
| Accident Insurance Fund ..... | 611449 12 5 | The Law Fidelity and General Insurance Co., Ltd., 40000 Cum. Preference Shares of £1 each, 5s. paid ..... | 10000 - - |
| Reserve for Premiums paid in advance ..... | 3514 9 5 | Feu-duties and Ground Rents ..... | 875 10 - |
| Reserve for Investments redeemable at par ..... | 2488 16 2 | Freehold and Leasehold Property ..... £172283 19 3 | |
| Reserve for Depreciation of Securities..... (This will now amount to £15000) | 10000 - - | *Less* Loan..... 28338 10 - | 143945 9 3 |
| Profit & Loss A/c. ..... £42965 11 3 | | Agency and other Company's Balances, less Commission ..... | 219789 19 3 |
| *Less* Interim Dividend Paid ..... 11249 16 2 | 31715 15 1 | Prepaid Commission ..... | 14683 3 11 |
| | 1232420 17 11 | Interest accrued ..... | 12198 6 3 |
| Claims under Life Policies admitted, but not yet paid ..... | Nil | Cash—On Deposit ..... £3139 18 11 | |
| Sundry Creditors ..... | 24575 16 3 | In hand and on Current Account ... 46585 3 9 | 49725 2 8 |
| Sums due to other Insurance Companies ..... | 54532 3 3 | Sundry Debtors..... | 5724 16 2 |
| Funds held in trust ..... | 6750 - - | Furniture and Fittings at Head Office, and London, Philadelphia, Paris, Antwerp, Toronto, Cape Town, and other Branch Offices..... | 27606 18 8 |
| Unclaimed Dividends ..... | 400 11 11 | Balance of Purchase A/cs. of Royal Exchange Co.'s Belgian Business; Scottish Live Stock Insurance Co., Ltd.; Northern Plate Glass Insurance Co., Ltd.; Life and Health Assurance Association, Ltd. | 16573 19 8 |
| £ | 1318679 9 4 | £ | 1318679 9 4 |

## United Kingdom Temperance and General Provident Institution.

**Revenue Account** for the year ending 31st December, 1910.

| | £ | s. | d. |
|---|---|---|---|
| Amount of Life Assurance Fund at the beginning of the year | 8,847,403 | 10 | 5 |
| Premiums | 677,130 | 4 | 10 |
| Interest, Dividends and Rents £348,235 1 5 | | | |
| *Less* Income Tax.. 21,425 3 1 | | | |
| | 326,809 | 18 | 4 |
| Other Receipts:— | | | |
| Fines for Renewal of Policies .... | 238 | 9 | 3 |
| Fees | 256 | 1 | - |
| | £9,851,838 | 3 | 10 |

| | £ | s. | d. |
|---|---|---|---|
| Claims under Policies paid out and outstanding:— | | | |
| By Death £327,567 4 10 | | | |
| By Maturity 132,716 13 - | | | |
| | 460,283 | 17 | 10 |
| Surrenders, including Surrenders of Bonus | 56,229 | 19 | 7 |
| Annuities | 2,573 | 2 | 7 |
| Bonuses in Cash | 1,359 | 17 | 11 |
| Bonuses in reduction of Premiums .. | 20,572 | 2 | 10 |
| Bonus Annuities | 5,016 | 7 | 6 |
| Commission | 42,527 | 7 | 8 |
| Expenses of Management | 40,452 | 17 | 7 |
| Written off Investments | 40,468 | 17 | 5 |
| Amount of Life Assurance Fund at the end of the year | 9,182,353 | 12 | 11 |
| | £9,851,838 | 3 | 10 |

## Valuation Balance Sheet on 31st December, 1910.

| Liabilities. | £ | s. | d. |
|---|---|---|---|
| Value of— | | | |
| Sums Assured | 12,345,269 | - | - |
| Bonuses | 1,830,307 | - | - |
| Annuities | 18,811 | - | - |
| SURPLUS | 1,358,969 | - | - |
| | £15,553,356 | - | - |

| Assets. | £ | s. | d. |
|---|---|---|---|
| Value of— | | | |
| Future net Premiums *Less* Reductions by Bonus | 6,371,002 | - | - |
| Assurance Fund | 9,182,354 | - | - |
| | £15,553,356 | - | - |

# UNITED KINGDOM TEMPERANCE AND GENERAL PROVIDENT INSTITUTION.

## BALANCE SHEET on 31st December, 1910.

| LIABILITIES. | £ | s. | d. |
|---|---|---|---|
| Life Assurance Fund | 9182353 | 12 | 11 |
| Claims admitted or intimated, but not paid | 63263 | 4 | - |
| Other sums owing by the Institution:— | | | |
| Commission due to Agents, and other Liabilities | 16048 | 17 | 7 |
| Surrender Values unclaimed | 3184 | - | 8 |
| | £9264849 | 15 | 2 |

| ASSETS. | £ | s. | d. |
|---|---|---|---|
| Mortgages on Property within the United Kingdom | 1088279 | 3 | 10 |
| Loans on Parochial and other Public Rates | 332627 | 7 | 6 |
| Do. Life Interests | 11960 | - | - |
| Do. Reversions | 33927 | 19 | 6 |
| Do. Stocks and Shares | 40000 | - | - |
| Do. Institution's Policies within their Surrender Values | 1033182 | 10 | - |
| Investments:— | | | |
| Deposit with the High Court (£28933 India 2½% Stock) | 20000 | - | - |
| British Government Securities | 18047 | 2 | 2 |
| Municipal and County Securities, United Kingdom | 374350 | - | 2 |
| Indian and Colonial Government Securities | 213849 | 5 | 4 |
| Do. Municipal Securities | 34884 | 13 | 5 |
| Foreign Government Securities | 191744 | 10 | 6 |
| Do. Provincial Securities | 19650 | - | - |
| Do. Municipal Securities | 121052 | 18 | 4 |
| Railway and other Debentures and Debenture Stocks, Home and Foreign | 1204472 | 4 | 9 |
| Railway and other Preference and Guaranteed Stocks, Home and Foreign | 696732 | 12 | 10 |
| Rent Charges | 43147 | 13 | - |
| Freehold Ground Rents | 1992622 | 19 | 3 |
| Leasehold do. | 430169 | 7 | 6 |
| House Property | 606797 | 9 | 7 |
| Reversions | 177795 | 3 | 11 |
| Indian Railway Stocks and Annuities | 252851 | 17 | 10 |
| Bank of England Stock | 101541 | 18 | 5 |
| New River Company's Securities | 402 | 14 | 8 |
| Agents' Balances | 22933 | 7 | 7 |
| Outstanding Interest, Dividends and Rents | 21130 | 19 | 6 |
| Interest accrued but not payable | 68928 | 9 | - |
| Bills Receivable | 44 | 6 | 3 |
| Cash— | | | |
| On Deposit £65000 - - | | | |
| In hand and on Current Account 28375 11 - | | | |
| | 93375 | 11 | - |
| Other Assets:— | | | |
| Loans on Credit Policies | 18336 | 8 | 1 |
| Postage Stamps | 11 | 1 | 3 |
| | £9264849 | 15 | 2 |

# DEPARTMENTAL ACCOUNTS
AND THE
# TABULAR SYSTEM.

**475.** The mere fact that a business produces a substantial net profit is not *prima facie* evidence that it is being managed in the most skilful manner. The majority of large businesses are worked in departments, while many others carry on trade in a limited number of articles. In such concerns it is possible that a net **profit** may be shown on the **entire working,** notwithstanding that a **loss** is being sustained on one or more of the **departments** or **articles,** without the proprietors being aware of the fact. The only method which will afford adequate information of the detailed working of the business, and thus help to prevent such an unbusiness-like state of affairs, is that of keeping **separate accounts** for each **department** or **article.** With this end in view the subsidiary books should be ruled with suitable columns, so as to enable the records of the various transactions to be entered in an economical and a systematic manner.

**476.** The **monthly totals** of the **columns** in the subsidiary books must be posted to their respective Departmental Trading Accounts in the Impersonal Ledger. The **debits** will consist of Stock at the commencement ; Credit and Cash Purchases, *less* Returns ; Carriage ; Wages ; and such other items as may be definitely ascertainable as chargeable to the departments ; the **credits** consisting of Credit and Cash Sales, *less* Returns ; and the Stock at the end of the period. The **difference** will, of course, represent the Gross Profit or Loss on the particular department and will require to be transferred to the Profit & Loss A/c. on balancing. When there are few departments a **combined** Departmental Trading A/c. should be prepared in columnar form, as shown on page 569.

**477.** Such Departmental Accounts **facilitate** the **comparison** of the **turnover** of different **periods,** as well as the **percentages** of **expenses** in relation to the turn-

.over, thereby enabling the proprietors to discover defects in the management which would remain undetected but for the searchlight of the departmental system. The first illustration given below is a very simple one taken from Exercise 31. This is followed by another example from the W.R.C.C. Advanced Examination Paper for 1903, being Exercise No. 107. Further illustrations are afforded of **actual** and **suggested rulings** for subsidiary books of various businesses, including a copy of the Sales Book used by the author of this textbook. This particular book is a most economical one, serving, as it does, the purposes of a **Sales Book, Cash Book,** or **Ledger** for cash transactions, in addition to recording the number of books sold and cost of carriage.

**Ex. 31.** **Purchases Book.**

| | | L.F. | Total. | Tobacco. | Cigars. | Cigarettes. |
|---|---|---|---|---|---|---|
| 1907. | | | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Oct. 4 | Hignett & Co. | | 157 15 10 | 42 10 6 | 96 - - | 19 5 4 |
| ,, 8 | Martin Bros. | | 150 10 - | | 150 10 - | |
| ,, 11 | Ogden & Co. | | 322 - - | 130 - - | 160 - - | 32 - - |
| ,, 18 | Bell & Sons | | 165 4 - | 83 9 4 | 54 6 2 | 27 8 6 |
| ,, 26 | Wills & Co. | | 374 - - | 130 6 - | 180 4 - | 63 10 - |
| ,, 27 | Martin Bros. | | 123 10 - | | 123 10 - | |
| | | £ | 1292 19 10 | 386 5 10 | 764 10 2 | 142 3 10 |

**Sales Book.**

| | | L.F. | Total. | Tobacco. | Cigars. | Cigarettes. |
|---|---|---|---|---|---|---|
| 1907. | | | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| Oct. 1 | Edward Wade | | 86 5 10 | 20 6 4 | 50 10 - | 15 9 6 |
| ,, 5 | Joe Parson | | 131 4 - | 30 8 - | 80 6 - | 20 10 - |
| ,, 7 | Albert Kershaw | | 28 10 - | | 28 10 - | |
| ,, 9 | Thomas Elliott | | 18 - - | | | 18 - - |
| ,, 9 | Henry Hirst | | 131 1 6 | 63 8 6 | 46 10 - | 21 3 - |
| ,, 14 | Thomas Elliott | | 247 18 - | 89 6 6 | 113 4 6 | 45 7 - |
| ,, 21 | Edward Wade | | 130 6 10 | 53 16 8 | 48 13 10 | 27 16 4 |
| ,, 22 | Henry Hirst | | 197 5 8 | 68 15 - | 100 3 - | 28 7 8 |
| | | £ | 970 11 10 | 326 1 - | 467 17 4 | 176 13 6 |

**Dr.** **Tobacco A/c.** **Cr.**

| | | £ s. d. | | | £ s. d. |
|---|---|---|---|---|---|
| 1907. | | | 1907. | | |
| Oct. 1 | To Balance | 700 - - | Oct. 30 | By Cash | 19 6 - |
| ,, 31 | ,, Sundries P/B. | 386 5 10 | ,, 31 | ,, Sundries S/B. | 326 1 - |
| ,, 31 | ,, GROSS PROFIT | 124 1 2 | ,, 31 | ,, *Bal.(Stock) c/f* | 865 - - |
| | £ | 1210 7 - | | | 1210 7 - |

**Dr.** **Cigars A/c.** **Cr.**

| 1907. | | £ s. d. | 1907. | | £ s. d. |
|---|---|---|---|---|---|
| Oct. 1 | To Balance ..... | 510 - - | Oct. 30 | By Cash ..... | 23 10 - |
| ,, 31 | ,, Sundries P/B. ..... | 764 10 2 | ,, 31 | ,, Sundries S/B. | 467 17 4 |
| ,, 31 | ,, GROSS PROFIT | 144 17 2 | ,, 31 | ,, *Bal.* (*Stock*) *c/f.* | 928 - - |
| | £ | 1419 7 4 | | £ | 1419 7 4 |

**Dr.** **Cigarettes A/c.** **Cr.**

| 1907. | | £ s. d. | 1907. | | £ s. d. |
|---|---|---|---|---|---|
| Oct. 1 | To Balance ..... | 263 - - | Oct. 30 | By Cash ..... | 8 4 6 |
| ,, 31 | ,, Sundries P/B. ..... | 142 3 10 | ,, 31 | ,, Sundries ..... | 176 13 6 |
| ,, 31 | ,, GROSS PROFIT | 69 14 2 | ,, 31 | ,, *Bal.* (*Stock*) *c/f.* | 290 - - |
| | £ | 474 18 - | | £ | 474 18 - |

**Profit & Loss A/c.** for the month ended 31st October, 1907.

**Dr.** **Cr.**

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Bad Debts A/c. ..... | 131 4 - | By Gross Profit on :— | |
| ,, Wages A/c. ..... | 34 - - | Tobacco ..... | 124 1 2 |
| ,, Depreciation A/c. ..... | 22 - - | Cigars ..... | 144 17 2 |
| ,, Interest A/c. ..... | 3 13 3 | Cigarettes ..... | 69 14 2 |
| ,, Trade Expenses A/c. ..... | 36 6 9 | ,, Discount A/c. ..... | 98 3 2 |
| ,, NET PROFIT :— | | | |
| R. Jackson..... £125 15 - | | | |
| J. Jackson ..... 83 16 8 | 209 11 8 | | |
| £ | 436 15 8 | £ | 436 15 8 |

**Dr. Ex. 107.** **Trading A/c., A Department.** **Cr.**

| 1903. | | £ s. d. | 1903. | | £ s. d. |
|---|---|---|---|---|---|
| Jan. 1 | To Stock ..... | 1423 12 8 | Dec. 31 | By Sales ..... | 2920 - - |
| Dec. 31 | ,, Purchases ..... | 1892 17 3 | ,, 31 | ,, STOCK ..... | 1028 15 4 |
| ,, 31 | ,, Wages..... | 215 - - | | | |
| | ,, GROSS PROFIT | 417 5 5 | | | |
| | £ | 3948 15 4 | | £ | 3948 15 4 |

**Dr.** **Trading A/c., B Department.** **Cr.**

| 1903. | | £ s. d. | 1903. | | £ s. d. |
|---|---|---|---|---|---|
| Jan. 1 | To Stock ..... | 1264 17 3 | Dec. 31 | By Sales ..... | 6286 - - |
| Dec. 31 | ,, Purchases ..... | 4524 2 4 | ,, 31 | ,, STOCK ..... | 1340 9 5 |
| | ,, GROSS PROFIT | 1837 9 10 | | | |
| | £ | 7626 9 5 | | £ | 7626 9 5 |

**Dr.** **Trading A/c., C Department.** **Cr.**

| 1903. | | £ s. d. | 1903. | | £ s. d. |
|---|---|---|---|---|---|
| Jan. 1 | To Stock ..... | 2580 10 4 | Dec. 31 | By Sales ..... | 8492 - - |
| Dec. 31 | ,, Purchases ..... | 5431 12 8 | ,, 31 | ,, STOCK ..... | 1469 7 8 |
| | ,, GROSS PROFIT | 1949 4 8 | | | |
| | £ | 9961 7 8 | | £ | 9961 7 8 |

**Dr.** **Departmental Trading A/c.** for the year ended 31st December, 1912. **Cr.**

| | Dep. A. | Dep. B. | Dep. C. | Total. | | Dep. A. | Dep. B. | Dep. C. | Total. |
|---|---|---|---|---|---|---|---|---|---|
| To Stock, 1st Jan., 1912.... | 790 | 320 | 400 | 1510 | By Sales ..... | 3075 | 1563 | 3540 | 8178 |
| ,, Purchases ..... | 2851 | 821 | 2021 | 5693 | ,, STOCK, 31st Dec. .... | 1005 | 365 | 305 | 1675 |
| ,, Wages ..... | | 419 | | 419 | | | | | |
| ,, GROSS PROFIT..... | 439 | 368 | 1424 | 2231 | | | | | |
| | £4080 | £1928 | £3845 | £9853 | | £4080 | £1928 | £3845 | £9853 |

**Dr.** **Profit & Loss A/c.** for the year ended 31st December, 1912. **Cr.**

| | £ | | | £ |
|---|---|---|---|---|
| To Carriage ..... | 128 | By Gross Profit brought from Trading A/c. :— | | |
| ,, Wages and Salaries ..... | 322 | Department A..... | £439 | |
| ,, Rent, Rates and Insurance..... | 123 | Do. B..... | 368 | |
| ,, Advertising..... | 251 | Do. C..... | 1424 | |
| ,, Commission ..... | 142 | | | 2231 |
| ,, General Expenses..... | 62 | ,, Discount on Purchases ..... | | 154 |
| ,, Bank Charges ..... | 76 | ,, Dividends received ..... | | 25 |
| ,, Discount and Allowances ..... | 167 | | | |
| ,, Bad Debts ..... | 121 | | | |
| ,, Depreciation ..... | 132 | | | |
| ,, NET PROFIT ..... | 886 | | | |
| | £2410 | | | £2410 |

## Coal and Lime Merchant. Sales Book.

| Date. | Name. | L. F. | Total. | Household. | | Steam. | | Coke. | | Lime. | | Sand. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | T. C. Q. | £ s. d. | T. C. Q. | £ s. d. | T. C. Q. | £ s. d. | T. C. Q. | £ s. d. | T. C. Q. | £ s. d. |
| | | | | | | | | | | | | | |

## Leather Trade. Purchases Book.

| Date. | Name. | L.F. | Total. | Hides. | Calf Skins. | Kips. | Pelts. | Tanning Materials. | Sundries. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

## Ladies' Outfitter. Sales Book.

| Date. | Name. | L.F. | Total. | Outfitting. | Mantles. | Dresses. | Millinery. | Furs. | Linen. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

## Gentlemen's Outfitter. Sales Book.

| Date. | Name. | L.F. | Total. | Outer-clothing. | Under-clothing. | Hats & Caps. | Mercery & Starch. | Leather Goods. | Sundries. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

## Drapery and Dressmaking. Purchases Book.

| Date. | Name. | L.F. | Total. | Drapery. | Prints. | Fancy. | Silks. | Dresses & Materials. | Sundries. | Boxes, &c. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

## Cloth Merchant. Purchases Book.

| Date. | Name. | L.F. | Terms. | Description | Yards. | @ | Items. | Total. | Woollens | Worsteds. | Sundries. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | |

## Tea and Coffee Merchant. Purchases Book.

| Date. | Name. | L.F. | Total. | Tea. | Coffee. | Chicory. | Cocoa. | Duty. |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |

## Provision Merchant. Purchases Book.

| Date. | Name. | L.F. | Total. | Hams and Bacon. | Lard. | Butter. | Cheese. | Eggs. | Tinned Goods. | Sundries. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

## Wine and Spirit Merchant. Purchases Book.

| Date. | Name. | L.F. | Total. | Wines. | Wine Duty. | Spirits. | Spirit Duty. | Corks, Bottles, &c. |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |

## Wine and Spirit Merchant. Sales Book.

| Date. | Wines. | | Spirits. | | Name. | L.F. | Total. | Private Customers. | | Public or Licensed Customers. | | Vaults Trade. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Doz. | Botts. | Gal. | Botts. | | | | Wines. | Spirits. | Wines. | Spirits. | Wines. | Spirits. |
| | | | | | | | | | | | | | |

## Mineral Water Manufacturer. Purchases Book.

| Date. | Name. | L.F. | Total. | Sugar, &c. | Essence, &c. | Corks, Wire, Brushes, &c. | Coal and Water. | Carriage. | Repairs and Renewals of Plant. | Stable Expenses. | Boxes. | Bottles. | Sundries. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | |

## Grain, Flour, Hay and Seed Merchant. Purchases Book.

| Date. | Name. | L. F. | Total. | Wheat. | Flour. | Oats. | Barley. | Oatmeal. | Bran. | Pollard. | Maize. | Seed. | Rape Dust. | Hay. | Straw. | Tares. | Cake. | Sacks. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | |

## Dairy Trade. Sales Book.

| Date. | Name. | Address. | L. F. | Total. | Milk. | | Cream. | | Butter. | | Eggs. | | Sundries. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Quantity. | £ s. d. | Quantity. | £ s. d. | Quantity. | £ s. d. | Quantity. | £ s. d. | Quantity. | £ s. d. |
| | | | | | | | | | | | | | | |

## Farming. Sales Book.

| Date. | Name. | L.F. | Total. | Hay & Straw. | Cattle. | Pigs. | Dairy & Poultry. | Sundries. |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |

# ANNUAL CLASSIFICATION OF PAYMENTS OF A FARMER.

| Total. | General Live Stock. | Fowls. | Eggs. | Foods. | | Man'res | Seeds. | Implements and Appliances. | | Rents, Rates, Taxes & Insur'ce | Labour. | | Sundry Expenses. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | General | Poultry. | | | General | Poultry. | | General | Poultry. | General | Poultry. |
| £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| 7 9 6 | | | | | | | | | | | 4 19 6 | 2 10 - | | |
| 4 - - | | | | | | | | | | | | | | |
| - 9 6 | | - 9 6 | | | | | | | 4 - - | | | | | |
| - 3 - | | | | | | | | | | | | | | |
| - 5 - | | | | | | | | | | | | | | - 3 - |
| 18 - - | 18 - - | | | | | | | | | | | | - 5 - | |
| 17 15 - | | | | 17 15 - | | | | | | | | | | |
| October..... | 58 - - | 10 2 6 | | 17 15 - | 11 4 6 | | 3 - - | 3 5 - | 6 - - | | 18 15 - | 10 - - | 7 11 3 | 3 17 - |
| November ..... | | 9 13 - | 2 4 - | 5 7 3 | 7 13 - | | 2 10 - | | | | 17 6 4 | 9 10 - | 2 5 6 | - 9 6 |
| December ..... | | 12 7 9 | 6 16 7 | 12 15 6 | 14 3 9 | 10 - - | | | | | 17 - - | 10 - - | 1 7 3 | - 4 9 |
| January ..... | | 10 17 6 | 5 13 10 | 10 10 - | 5 6 8 | | | | 4 5 6 | 13 - - | 17 7 6 | 10 5 - | 11 2 9 | 4 6 2 |
| February ..... | | 5 6 - | 2 3 9 | | 12 10 - | | | | | | 18 - - | 10 - - | 2 7 7 | 4 1 - |
| March ..... | | 3 12 - | 1 7 5 | | 11 9 6 | | | | 5 14 9 | 115 - - | 17 6 4 | 11 5 - | 1 3 5 | 1 1 6 |
| April ..... | 24 - - | 1 4 - | | 23 - - | 12 15 - | | 27 3 - | | | | 19 - - | 11 5 - | 6 14 3 | - 18 3 |
| May ..... | | | | | 13 4 - | 25 10 - | | 7 12 6 | | | 18 10 - | 11 5 - | 1 19 4 | 6 17 9 |
| June ..... | | 2 5 - | | | 7 16 - | | | | | | 18 10 6 | 11 - - | - 17 6 | - 14 5 |
| July ..... | | | | 27 7 6 | 16 6 6 | | | | | 11 10 - | 18 - - | 10 5 - | 4 3 - | 2 17 10 |
| August ..... | | - 15 - | | | 13 17 6 | | | | | | 31 - - | 10 - - | 2 1 9 | - 12 4 |
| September ..... | | | | 22 5 - | 11 18 - | | | | 5 - - | 115 - - | 29 10 - | 10 - - | 3 2 6 | 4 1 5 |
| | 82 - - | 56 2 9 | 18 5 7 | 119 - 3 | 138 4 5 | 35 10 - | 32 13 - | 10 17 6 | 21 - 3 | 254 10 - | 240 5 8 | 124 15 - | 44 16 1 | 30 1 11 |
| Add debts owing at end | | of year ..... | | 19 - - | | | | | | | 2 10 - | 1 9 9 | 16 10 - | 2 5 3 |
| | 82 - - | 56 2 9 | 18 5 7 | 138 - 3 | 138 4 5 | 35 10 - | 32 13 - | 10 17 6 | 21 - 3 | 254 10 - | 242 15 8 | 126 4 9 | 61 6 1 | 32 7 2 |
| Deduct debts owing at | | beginning of y'r | | 17 15 - | 2 - - | | | | | | 2 8 - | 1 6 9 | 14 - - | 3 10 - |
| Purchases and expenses for the year | 82 - - | 56 2 9 | 18 5 7 | 120 5 3 | 136 4 5 | 35 10 - | 32 13 - | 10 17 6 | 21 - 3 | 254 10 - | 240 7 8 | 124 18 - | 47 6 1 | 28 17 2 |

## ESTATE PURCHASES DAY BOOK.

| 1 Date. | 2 From whom purchased and particulars. | 3 Ledger Folio. | 4 Amount to be posted. | Analysis Columns. 5 Estate Capita | 6 Estate maintenance. | 7 Woods | 8 Quarri's | 9 Game. | 10 Gard'ns | 11 Sundries. Name of Account. | Led Fo. | Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |

## ESTATE SALES DAY BOOK.

| 1 Date. | 2 To whom charged and particulars. | 3 Ledger Folio. | 4 Amount to be posted. | Analysis Columns. 5. Rentals | 6 Woods. | 7 Quarries. | 8 Game. | 9 Gard'ns | 10 Sundries. Name of Account. | Led Fo. | Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | |

## ESTATE RENT BOOK.

Rental for Quarter ending Christmas, 1917.

| No. on Ordnance Map. | Description of Property. | Tenant's Name. | Annual Rent. | Arrears brought forward. | Rent this Quarter. S.B. fol. | Rent this Quarter. Amount | Total amount due | Deductions to be allowed. Vou'h No. | Deductions to be allowed. C.B. fol. | Deductions to be allowed. Inc. Tax. | Deductions to be allowed. Sundries. | Cash received. Date. | Cash received. C.B. fol. | Cash received. Amt. | Total Cash and Deductions. | Arrears carried forward. | Debts irrecoverable. | Remarks. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | |

## ESTATE RENT LEDGER.

Description of Farm or Holding..... Area.....

Name of Tenant ..... Annual Rent.....

| Date. | Arrears carried forward. | Rent for Half-year. S.B. folio. | Rent for Half-year. Amount. | Total amount due. | Deductions to be allowed. Vouch'r No. | Deductions to be allowed. P.B. folio. | Deductions to be allowed. Income Tax. | Deductions to be allowed. Sundries. | Cash received. C.B. folio. | Cash received. Amount. | Total Cash and Deductions. | Arrears carried forward. | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | |

## ESTATE PETTY CASH BOOK.

| Receipts. | | | | | Payments. | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Analysis Columns. | | | | | | | | | |
| Date. | Amount. | Date. | To whom paid and particulars. | Ledger Folio. | Amount. | Estate Repairs | Woods. | Quarries. | Game. | Gardens. | Mansion. | Sundries. Name of Account. | Sundries. Led. Fo. | Sundries. Amount |
| | | | | | | | | | | | | | | |

## ESTATE WAGES BOOK. Week ending

| | | | | Analysis Columns. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name. | Amount of Wages due. | Cash paid. | Payments other than Cash. | Estate Capital. | Estate Repairs. | Woods. | Quarries. | Game. | Gardens. | Mansion. | Sundries. Name of A/c. | Sundries. Led. Fo. | Sundries. Amount |
| | | | | | | | | | | | | | |

The totals of the Analysis Columns and the individual sundries items are posted weekly to the debit of Ledger A/cs.

## Steam Fishing Trade. Purchases Book.

| Date. | Name. | L.F. | Total. | Coals. | Boxes. | Gear. | Repairs. | Stores. | Insurance | Sundries. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

## Fish Merchant and Curer. Purchases Book.

| Date. | Name. | L.F. | Total. | Fish. | Boxes. | Salt and Ice. | Carriage. | Curing Dept. | General Expenses | Sundries. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

## Manufacturing and Retail Chemist and Druggist. Purchases Book.

| Date. | Name. | L.F. | Total. | Patents. | Drugs. | Factory. | Groceries. | Photo and Fancy. | Sundries. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

## Motor and Cycle Dealer. Sales Book.

| Date. | Name. | L.F. | Total. | Motors. | Cycles. | Accessories | Oil and Petrol. | Repairs. | Hire. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

## Bookseller and Stationer. Sales Book.

| Date. | Name. | L.F. | Total. | Books. | Papers and Magazines. | Stationery. | Leather Goods. | Metal Goods. |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |

## Music Dealer. Sales Book.

| Date. | Name. | L.F. | Total. | Pianos. | Organs. | Other Instrumen's etc. | Music. | Tuning and Repairs. | Lessons. | Hire. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

## Publisher and Bookseller. Sales Book and Ledger.

| Date sent. | Name. | Complete Book-keeping. | | | El'ment'y Book-kg. | Advanced Book-kg. | Shortha'd | Business Methods. | Manusc'p Books. | Total Debit. | Total Credit. | Date Rec'd. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Carr. | No. | £ s. d. | | | | | | | | |
| | | | | | | | | | | | | |

## Printing Trade. Purchases Book.

| Date. | Name. | L.F. | Total. | Paper. | Ink. | Binding Materials. | Artists. | Stereos. | Stationer'y | Boxes & Packing | Type | Plant & Machinery. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |

## SALES BOOK for Alphabetical and Self-Balancing Ledgers.

| Date. | Name. | L.F. | Total. | A to C. | D to G. | H to L. | M to O. | P to S. | T to Z. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

## SALES BOOK for District and Self-Balancing Ledgers.

| Date | Name. | L.F. | Total. | Bradford. | Dewsbury. | Halifax. | Leeds. | Sheffield. | Wakefield |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

## LAUNDRY CUSTOMERS' LEDGER.

| No. | Name. | Address. | Week ending 10th October, 1917. | | | | | | Week ending 17th October, 1917. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Dr. | | | Cr. | | | Dr. | | | Cr. | | |
| | | | Balance. | Work done. | Total. | Cash Received. | Bad Debts. | Allowances and Discounts. | Balance. | Work done. | Total. | Cash Received. | Bad Debts. | Allowances and Discounts. |
| | | | | | | | | | | | | | | |



## Visitors' Charges Book for Residential Hotels and Hydros.

| No. | Name. | Room. | Rate. | Week ending ..... Amount. | Rate. | Week ending ..... Amount. | Rate. | Week ending ..... Amount. | Rate. | Week ending ..... Amount. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

## HOTEL ACCOUNTS.

### Cash Book.

Dr. | Cr.

| Date. | Particulars. | Ledger Folio. | Ledger A/cs. | Sundries. | Billiards. | Bars. | Restaurant. | Visitors. | Bank. | Date. | Particulars. | Ledger Folio. | Ledger Accounts. Discount. | Ledger Accounts. Amount. | Wages. | Salaries. | Rent, Rates, etc. | Sundry Expenses. | Bank. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | | |

### Purchases Book.

| Date. | Name. | Particulars. | Invoice No. | Ledger Folio. | Total. | Provisions. | Beers and Minerals. | Wines and Spirits. | Cigars and Cigarettes. | Laundry. | Fuel. | Utensils, Glass, Cutlery, Plate. | Furniture. | Fixtures and Fittings. | Repairs. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | |

# Hotel Visitors' Ledger.

TUESDAY, 10th FEBRUARY, 1917. (Folio 40.)

| | DEBITS. | Room No. 1 Jacks'n £ s. d. | Room No. 2 Brown £ s. d. | Room No. 3. Frost £ s. d. | To-day's Totals £ s. d. | Brought forward from folio 39 Feb. 1 to 9. £ s. d. | Carried forward to folio 41 Feb. 1 to 10. £ s. d. | No. of Debit Items | Impersonal Ledger Fo. |
|---|---|---|---|---|---|---|---|---|---|
| | *Brought forward..* | 6 - | | 2 10 - | 2 16 - | | | | |
| 1 | Apartments ..... | 6 - | 10 - | 6 - | 1 2 - | 10 11 - | 11 13 - | 1 | |
| 2 | Attendance ..... | 1 - | 2 - | 1 - | 4 - | 1 19 - | 2 3 - | 2 | |
| 3 | Baths ..... | 6 | | | 6 | 8 - | 8 6 | 3 | |
| 4 | Fires and Lights .. | | 1 - | 1 - | 2 - | 1 7 - | 1 9 - | 4 | |
| 5 | Breakfasts ..... | 2 - | 4 - | 2 - | 8 - | 3 15 - | 4 3 - | 5 | |
| 6 | Luncheons ..... | | 3 - | | 3 - | 1 10 - | 1 13 - | 6 | |
| 7 | Dinners ..... | 2 6 | 5 - | 2 6 | 10 - | 5 11 - | 6 1 - | 7 | |
| 8 | Teas and Coffee.... | | | | | 1 5 - | 1 5 - | 8 | |
| 9 | Suppers ..... | | | | | 1 10 6 | 1 10 6 | 9 | |
| 10 | Sandwiches, &c.... | | | | | 5 6 | 5 6 | 10 | |
| 11 | Servants' Board.... | | | | | 1 3 - | 1 3 - | 11 | |
| 12 | Wines ..... | | | | | 4 8 - | 4 8 - | 12 | |
| 13 | Spirits ..... | | | 1 - | 1 - | 3 9 - | 3 10 - | 13 | |
| 14 | Ales and Stout .... | 6 | | | 6 | 5 6 - | 5 6 6 | 14 | |
| 15 | Aerated Waters.... | | | | | 1 10 - | 1 10 - | 15 | |
| 16 | Cigars ..... | 1 - | | 1 - | 2 - | 1 9 6 | 1 11 6 | 16 | |
| 17 | Carriages ..... | | | 4 - | 4 - | 2 7 - | 2 11 - | 17 | |
| 18 | Garage ..... | 1 6 | | | 1 6 | 1 3 - | 1 4 6 | 18 | |
| 19 | Laundry ..... | | | | | 15 - | 15 - | 19 | |
| 20 | Sundries ..... | | | | | 3 1 6 | 3 1 6 | 20 | |
| 21 | Paid out ..... | 6 | | | 6 | 7 6 | 8 - | 21 | |
| | Total of Bill .... | 1 1 6 | 1 5 - | 3 8 6 | 5 15 - | 53 1 6 | 56 - 6 | | |
| | CREDITS. | | | | | | | | |
| 22 | Overcharges ..... | | | 1 - | 1 - | 3 6 | 4 6 | 22 | |
| 23 | Cash Received .... | | | 3 7 6 | 3 7 6 | 50 2 - | 53 9 6 | 23 | |
| 24 | Ledger Accounts .. | | 1 5 - | | 1 5 - | | 1 5 - | 24 | |
| | *Balance c/f.* | 1 1 6 | | | 1 1 6 | 2 16 - | 1 1 6 | | |
| | Total ..... | 1 1 6 | 1 5 - | 3 8 6 | 5 15 - | 53 1 6 | 56 - 6 | | |

(Specimen Visitor's Bill.)

*Telephone No. 555.*
*Telegrams:* "Royal, York."

# ROYAL HOTEL,

**Limited,**

# YORK.

*Accounts rendered weekly.*

*MR. WILLIAM JACKSON.* Room No. 1.

Cheques not received in payment.

| 1917. February | 10 | | | 11 | | | 12 | | | 13 | | | 14 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| *Brought forward* .. | | 6 | - | 1 | 1 | 6 | 1 | 16 | - | 2 | 10 | - | | | |
| Apartments..... | | 6 | - | | 6 | - | | 6 | - | | | | | | |
| Attendance..... | | 1 | - | | 1 | - | | 1 | - | | | | | | |
| Baths ..... | | | 6 | | | 6 | | | 6 | | | | | | |
| Fires and Lights .. | | | | | | | | | | | | | | | |
| Breakfasts ..... | | 2 | - | | 2 | - | | 2 | - | | 2 | - | | | |
| Luncheons ..... | | | | | | | | | | | | | | | |
| Dinners ..... | | 2 | 6 | | 2 | 6 | | 2 | 6 | | | | | | |
| Teas and Coffee.... | | | | | | | | | | | | | | | |
| Suppers ..... | | | | | | | | | | | | | | | |
| Sandwiches, &c. .. | | | | | | | | | | | | | | | |
| Servants' Board.... | | | | | | | | | | | | | | | |
| Wines ..... | | | | | | | | | | | | | | | |
| Spirits ..... | | | | | | | | | | | | | | | |
| Ale and Stout..... | | | 6 | | | | | | 6 | | | | | | |
| Aerated Waters.... | | | | | | | | | | | | | | | |
| Cigars ..... | | 1 | - | | | | | | | | | | | | |
| Carriages ..... | | | | | | | | | | | | | | | |
| Garage..... | | 1 | 6 | | 1 | 6 | | 1 | 6 | | | | | | |
| Laundry ..... | | | | | | | | | | | | | | | |
| Sundries ..... | | | | | | | | | | | | | | | |
| Paid out:— | | | | | | | | | | | | | | | |
| Postal ..... | | | | | | | | | | | | | | | |
| Telephone .... | | | 6 | | 1 | - | | | | | | | | | |
| *Carried forward* .. | 1 | 1 | 6 | 1 | 16 | - | 2 | 10 | - | | | | | | |
| Total ..... | | | | | | | | | | 2 | 12 | - | | | |

# HOTEL ACCOUNTS.

**478.** The business of a hotel principally consists in providing accommodation and consumables, as well as the rendering of numerous services to its guests, resulting in a large number of small transactions of a similar character. The two chief aims of Hotel A/cs. are to secure (**1**) promptness of record, (**2**) detection of leakages and extravagances. In connection with both these objects, and more especially with regard to the latter, it will be obvious that the most suitable means to be employed must depend very largely upon the size of the staff, and it thus follows that a system suitable to a large hotel might be found so cumbrous as to be unworkable in a small establishment. The **Tabular System** of Accounts is especially useful for statistical purposes, and has been found to be so suited to the demands of the trade that it has been universally adopted.

**479.** The **Account Books** in general use are :—(**1** Journal, (**2**) Cash Book, see page 583, (**3**) Petty Cash Book, (**4**) Purchases Book, see page 583, (**5**) Purchases Returns Book, (**6**) Wages Book, (**7**) Stock Book for Wines, Spirits, etc., (**8**) Impersonal Ledger, (**9**) Purchases or Credit Ledger, (**10**) Debtors' Ledger, (**11**) Visitors' Ledger, see page 584. No Sales Book or Sales Returns Book is needed, unless a credit trade is done in Wines and Spirits, etc. With the exception of the Journal and the ordinary Ledgers, all the books should be kept in tabular form.

**480.** The **Visitors' Ledger** is one of the special tabular books used in connection with Hotel A/cs., the *perpendicular* columns forming the **Personal A/cs.** of the Visitors, and the *horizontal* columns forming the **Impersonal A/cs.** of the hotel. It will be noticed from the example given on page 584, that each visitor is daily debited with the value of the goods supplied and the

services rendered. This Ledger is principally written up from the **Slips,** bearing the numbers of the visitors' rooms, and handed into the office by the waiters, maids, porters and others. When the **visitor pays** his bill, the amount is entered at the bottom of the *perpendicular* column opposite *Cash Received*. The **unpaid** *daily totals* of each visitor are carried forward to the top of the next page or folio, until such times as the visitor pays his bill, or until he has left the hotel, when any amount **owing** is transferred to his account in the **Debtors' Ledger.** Each opening of the Ledger contains the transactions for one day, and the **first entry** at the head of each folio of the Visitors' Ledger is in respect of the charges *brought forward* from the previous day, relating to the visitors who have stayed overnight.

**481.** The **Visitors' Ledger** should be **posted** at least once a month, as follows:—(**a**) The total amount charged to all Visitors for supplies and services should be *debited* to the **Visitors' A/c.** in the Impersonal Ledger. (**b**) The total amount in respect of each kind of supply or service should be posted to the *credit* of the various real and nominal a/cs. in the Impersonal Ledger, such as *Apartments A/c., Attendance A/c., Baths A/c.*, etc. (**c**) The amounts *owing* by Visitors, who have left the hotel, should be posted to the *debit* of their respective personal a/cs. in the Debtors' Ledger.

**482.** The **Cash Received from Visitors** must be entered daily in the Cash Book in the column headed *Visitors,* the monthly total of which must be posted to the credit of *Visitors' A/c.* in the Impersonal Ledger, and should agree with the total cash received, as shown in the Visitors' Ledger. A specimen of a *Visitors' Bill* is given on page 585.

Specimen **Trading A/c., Profit & Loss A/c.,** and **Balance Sheet,** are given on the two following pages.

## TRADING A/c. of THE IMPERIAL HOTEL Co., Ltd.,

**Dr.** for the year ended 31st December, 1917. **Cr.**

| | £ | £ |
|---|---|---|
| To Meat | 1300 | |
| ,, Fish and Poultry | 1050 | |
| ,, Sundry Provisions | 800 | |
| ,, General Stores | 1500 | |
| | | 4650 |
| ,, Wages | | 1000 |
| ,, Rent and Insurance | 125 | |
| ,, Rates and Taxes | 420 | |
| ,, Fuel | 400 | |
| ,, Gas | 250 | |
| ,, Electric Light | 580 | |
| ,, Laundry | 320 | |
| ,, Licence and Telephone | 100 | |
| ,, Printing and Stationery | 40 | |
| ,, Newspapers | 20 | |
| ,, Hire of Plants | 70 | |
| ,, Liveries | 75 | |
| ,, General Expenses | 520 | |
| ,, Advertising | 150 | |
| | | 2870 |
| ,, Salaries | | 400 |
| ,, Repairs, Maintenance, and Depreciation :— | | |
| Lease | 520 | |
| Premises | 48 | |
| Furniture, &c. | 250 | |
| Glass and China | 150 | |
| Cutlery and Plate | 80 | |
| Linen | 100 | |
| | | 1148 |
| ,, GROSS PROFIT | | 3112 |
| | | £13180 |

| | £ |
|---|---|
| By Rooms | 4000 |
| ,, Meals | 7000 |
| ,, Chance Meals | 1250 |
| ,, Attendance | 750 |
| ,, Washing | 50 |
| ,, Coals and Sundries | 130 |
| | £13180 |

## PROFIT & LOSS A/c. of THE IMPERIAL HOTEL Co., Ltd.,

**Dr.** for the year ended 31st December, 1917. **Cr.**

| | £ | £ | | £ |
|---|---|---|---|---|
| To Bad Debts | 5 | | By Gross Profits from :— | |
| ,, Law Costs | 5 | | General Account | 3112 |
| ,, Audit Fee | 105 | | Liquors | 2105 |
| ,, Interest | 600 | | Cigars and Cigarettes | 45 |
| | | 715 | Billiards | 70 |
| ,, NET PROFIT for the year | | 4617 | | |
| | | £5332 | | £5332 |

## BALANCE SHEET of THE IMPERIAL HOTEL Co., Ltd., on 31st December, 1917.

| Liabilities. | £ | Assets. | £ | £ |
|---|---|---|---|---|
| CAPITAL A/c. | 17500 | Leasehold Premises | 27000 | |
| Mortgage at 4% | 15000 | *Less* Depreciation | 520 | |
| Sundry Creditors | 930 | | | 26480 |
| PROFIT & LOSS A/c., Balance | 4617 | Furniture & Fittings | | 4683 |
| | | China & Glass | | 412 |
| | | Cutlery & Plate | | 341 |
| | | Linen | | 295 |
| | | Stock on Hand, viz. :— | | |
| | | Wines | 1510 | |
| | | Spirits | 490 | |
| | | Minerals | 165 | |
| | | Beers | 35 | |
| | | Cigars, &c. | 20 | |
| | | Kitchen | 50 | |
| | | Stores | 150 | |
| | | Bar | 16 | |
| | | | | 2436 |
| | | Sundry Debtors | | 130 |
| | | Payments in Advance | | 200 |
| | | Cash—At Bank | 3045 | |
| | | In Hand | 25 | |
| | | | | 3070 |
| | £38047 | | | £38047 |

# BRANCH AND MULTIPLE SHOP ACCOUNTS.

**483. BRANCH A/CS.** are necessitated where a firm, having a central factory or warehouse, also carries on business at one or more shops either in the same or other towns ; the trade in Groceries and Provisions, Meat, Bread, Milk, Boots and Shoes, Clothing, Drapery, Tobacco, Medicines and Drugs, being principally the subjects of retail branches. Just as it is necessary to keep separate a/cs. of each *department* in a business, so it is necessary to record the transactions of each *branch*, that the result of the separate trading may be readily ascertained. While each class of business must needs adapt its books to its own particular requirements, there are, however, two principal systems in use :—(*a*) where the whole of the accounts are kept at the Head Office ; (*b*) where the details are recorded in the books at the Branches.

**484.** In **retail shops,** where all the **sales** are for **cash,** it is *not* necessary to keep any a/cs. at the Branches ; daily or weekly Returns of Sales being made (on Forms specially provided, as shown on page 597) by the Branch Manager to the Head Office. In such cases *all* the Branch A/cs. are kept at the Head Office in a manner similar to **Departmental A/cs.,** the record of the goods sent to each Branch being made in a *columnar* **Stock Issued Book,** the weekly or monthly totals of each column being posted to the debit of the respective Branch A/cs., although in a small concern, with only one or two branches, the ordinary **Sales Book** might be used for this purpose. Where there are numerous Branches a separate book is kept for each. The cash, which would represent the actual Branch Sales, would either be forwarded to the Head Office or paid into the bank, the amount being debited in the Head Office Cash Book, in which separate columns would be allotted for each Branch, the weekly or monthly totals being posted to the credit of the Branch A/cs. The Head Office would pay the wages and expenses of each Branch, the

payments being recorded in the Branch columns on the Cr. side of the C.B. and from there posted to the debit of the Branch A/cs. Where a Petty Cash A/c. is needed by any Branch, it should be kept on the *Imprest System*, a monthly summary being transmitted to the Head Office. The expenses of the various Branches should be recorded in an **Expenses Journal,** specially ruled to suit the purposes of the particular business, so that the records are easy to make and compare.

**HEAD OFFICE. STOCK ISSUED TO BRANCHES.**

| Date. | Details. | Leeds. | | York. | | Selby. | |
|---|---|---|---|---|---|---|---|
| | | Cost. | Selling. | Cost. | Selling. | Cost. | Selling. |
| | | | | | | | |

**485. Wholesale** establishments and **Banks** usually keep **complete Branch Books at the Branch,** so far as the trading transactions and circulating assets are concerned, only remitting to or receiving Cash from the Head Office, as necessity arises. The **Books** of the **Branch** required for a merchant would consist of Journal, Purchases, Sales, Returns, Cash Books and Ledgers; the Purchases and Returns Outwards Books being ruled so as to show, in a separate column, those goods received from and returned to the Head Office. *The Opening Entries in the* **Branch Books** would generally consist of Cash (enter in C.B.), Stock (enter in Trading A/c.), and Sundry Debtors (enter in separate Personal A/cs.); the *total* of these three a/cs. being *credited* to the **Head Office Adjustment A/c.,** which takes the place of the usual Capital A/c. The liabilities to Sundry Creditors would be *debited* to the Head Office A/c. and posted to the credit of the separate Personal A/cs. The monthly *totals* of the Head Office columns in the Purchases and Sales Books, &c., should be posted to the "*Head Office A/c.*" in each Branch Ledger. On *re-opening the Branch Ledger, after the periodical balancing*, the balances of the various a/cs. are brought down in the usual manner.

**486.** It is advisable that the **Cash Receipts** of each Branch should be paid direct into the Bank, a weekly statement being rendered to the Head Office from which a special columnar C.B. should be compiled, showing the receipts in respect of each Branch, the *monthly totals* only being debited in the ordinary Cash Book at the Head Office, thus :—" July 31. To York Branch £200," which would be posted to the **Branch Adjustment** or **Current A/c.** in the Head Office Ledger. A similar columnar book would be needed for recording the remittances by the Head Office to the Branches, the entries and postings being reversed.

**487.** The a/cs. recording the **Capital** and all the **fixed Assets,** such as Business Premises, Plant and Machinery, Furniture and Fittings, Goodwill, &c., would be kept in the Head Office Ledger only ; also the totals of the Debtors, Creditors and Stock, the amounts of which three a/cs. would either be absolutely extinguished or materially reduced by the transfers to the respective Branch Adjustment A/cs. in the Head Office Ledger. When there are such *fixed assets* as " Furniture & Fittings " at each Branch, a separate a/c. must be opened in the *Head Office Ledger* for each Branch, so that the depreciations and additions may be clearly shown. On depreciating an asset in the *Head Office Books* the Journal entry would be : " Branch A/c. Dr. to Asset A/c." while in the *Branch Books* the Journal record would be : " Depreciation A/c. Dr. to Head Office A/c."

**488.** The **Branch Cash Book** *total* Receipts should be debited and *total* payments credited to Head Office A/c. when all cash is passed through the bank. As the C.B. merely contains a record of sums paid to or received from the Head Office, it does not need balancing.

**489.** In **transferring goods** from one *Branch to another* it is advisable to record the transfer in all three sets of books, and thus avoid the necessity of the Branches keeping a/cs. with each other. Suppose that the York Branch transfers goods to Selby, the entry in the *Head Office Books* would be " Selby Branch Dr. to York Branch " ; in the *York Branch Books* enter : " Head Office A/c. Dr. To Purchases A/c." ; and in the *Selby Branch Books* enter : " Purchases A/c. Dr. to Head Office A/c."

## WEEKLY CASH SHEET.

.....Branch.

**Statement for week ending.....19....**

| Date. | Receipts. | £ | s. | d. | Date. | Payments. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| | Monday .... | | | | | By Bank ..... | | | |
| | Tuesday .... | | | | | ,, ,, ..... | | | |
| | Wednesday .. | | | | | ,, ,, ..... | | | |
| | Thursday .... | | | | | ,, ,, ..... | | | |
| | Friday ..... | | | | | ,, ,, ..... | | | |
| | Saturday .... | | | | | ,, ,, ..... | | | |
| | *Total for week £* | | | | | *Total Bank £* | | | |
| | | | | | | By Wages as list | | | |
| | | | | | | ,, Commission | | | |
| | | | | | | ,, Petty Cash as below .. | | | |
| | | | | | | ,, Goods Purchased as below .... | | | |
| | | | | | | ,, Advertising and Bill Distributors .. | | | |
| | £ | | | | | £ | | | |

**Goods Purchased.**
(Including refunds to Customers).

| Date. | Particulars. | £ | s. | d. |
|---|---|---|---|---|
| | | | | |
| | Total £ | | | |

**Petty Cash Expenses.**

| Date. | Particulars. | £ | s. | d. |
|---|---|---|---|---|
| | | | | |
| | Total £ | | | |

Change kept at Branch £ *Manager's Signature*.....

## SPECIMEN STOCK A/c. — Wakefield Branch.

| Weekly Stock Summary. | Date. | Clothing. £ s. d. | Boots. £ s. d. | Hats. £ s. d. | Total. £ s. d. | | Total Sales for week. £ s. d. |
|---|---|---|---|---|---|---|---|
| Amount of Stock on Monday | 1917 Jan. 2 | 1051 1 2 | 752 2 10 | 304 3 4 | 2107 7 4 | Clothing | 68 16 11 |
| *Add* Goods received during week | | 70 5 - | 62 7 4 | 23 2 - | 155 14 4 | | |
| | | 1121 6 2 | 814 10 2 | 327 5 4 | 2263 1 8 | Boots | 56 18 - |
| *Deduct* Returns and Transfers | | 3 17 5 | | | 3 17 5 | | |
| | | 1117 8 9 | 814 10 2 | 327 5 4 | 2259 4 3 | Hats | 27 19 - |
| *Deduct* Sales for week | | 68 16 11 | 56 18 - | 27 19 - | 153 13 11 | | |
| Amount of Stock on Saturday | Jan. 7 | £1048 11 10 | £757 12 2 | £299 6 4 | £2105 10 4 | Total for Week | £153 13 11 |

I acknowledge having received for your account the amount of Goods stated above, and certify that the Stock now upon the premises, as per my books, amounts to *Two Thousand One Hundred and Five* Pounds, *Ten* Shillings, and *Four* Pence, at Selling Prices, as stated above.

Date, *7th January, 1917.*

RICHARD ROBINS, *Manager.*

## Wakefield Branch. ASSISTANTS' WEEKLY AVERAGES. *Week ending.....19..*

| Name of Assistant | Number of Checks used. M. | T. | W. | Th. | F. | S. | Total for Week. | Cash taken. £ | s. | d. | Average per Customer. | Salary of Assistant. | Percentage of Salary to Sales. | Remarks. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | |

**490.** In **balancing,** each Branch prepares its own T.B., Trading, P. & L. A/cs. and B/S., transferring the profit shown to the *credit* of the Head Office Adjustment or Current A/c.; the balance of the latter appearing in the Branch B/S., as a liability and thus representing the Capital of the Branch. The **total** of the **Branch Assets,** *minus* the *total* of the *Branch Creditors,* should equal the **balance** of the **Branch A/c.** In the *Head Office Books* the amount representing the profit of each Branch should be *debited* to the Branch Adjustment or Current A/c. and *credited* to a summarised P. & L. A/c.

**Example I.**

**Dr. Head Office A/c. in the York Branch Ledger. Cr.**

| 1914. | | £ | 1914. | | £ | £ |
|---|---|---|---|---|---|---|
| July 1 | To Sundry Creditors ... | 1085 | July 1 | By Sundry Debtors | 1500 | |
| ,, 1 | ,, Cash paid into Bank | | ,, 1 | ,, Fixtures ..... | 105 | |
| to | by Branch ..... | 1250 | ,, 1 | ,, Stock of Goods | 700 | |
| Dec. 31 | | | | ,, Cash in hand ... | 20 | |
| ,, 31 | ,, Returns ..... | 45 | | | | 2325 |
| ,, 31 | ,, *Balance c/d.* ..... | 1545 | ,, 1 to Dec. 31 | ,, Goods received from Head Office..... | | 966 |
| | | | ,, 31 | ,, General Expenses ... | | 100 |
| | | | ,, 31 | ,, Depreciation ..... | | 5 |
| | | | ,, 31 | ,, *Transfer to P.&L. A/c.* | | 529 |
| | | | | | | £3925 |
| | | £3925 | 1915. | | | |
| | | | Jan. 1 | By Balance .....b/d | | 1545 |

**York Current or Branch A/c. in Head Office Ledger.**

**Dr.** **Cr.**

| 1914. | | £ | £ | 1914. | | £ |
|---|---|---|---|---|---|---|
| July 1 | To Sundry Debtors | 1500 | | July 1 | By Sundry Creditors ... | 1085 |
| ,, 1 | ,, Fixtures ..... | 105 | | ,, 1 | ,, Cash paid | |
| ,, 1 | ,, Stock of Goods | 700 | | to | into Bank | |
| ,, 1 | ,, Cash in hand ... | 20 | | Dec. 31 | by Branch ..... | 1250 |
| | | | 2325 | ,, 31 | ,, Returns ..... | 45 |
| ,, 1 to Dec. 31 | ,, Goods received from Head Office..... | | 966 | ,, 31 | ,, *Balance c/d.* ..... | 1545 |
| ,, 31 | ,, General Expenses ... | | 100 | | | |
| ,, 31 | ,, Depreciation ..... | | 5 | | | |
| ,, 31 | ,, *Transfer to P.&L. A/c.* | | 529 | | | |
| | | | £3925 | | | £3925 |
| 1915. | | | | | | |
| Jan. 1 | To Balance .....b/d | | 1545 | | | |

**Trading** and **Profit & Loss A/c.** for the half-year ended
**Dr.** 31st December, **1914.** **Cr.**

| | Head Office | York Branch. | Total. | | Head Office | York Branch. | Total. |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | | £ | £ | £ |
| To Stock | 1800 | 700 | 2500 | By Sales | 5049 | 1500 | 6549 |
| ,, Purchases | 3415 | 966 | 4381 | ,, STOCK | 2000 | 800 | 2800 |
| ,, General Expenses. | 415 | 100 | 515 | | | | |
| ,, Depreciation | 10 | 5 | 15 | | | | |
| ,, NET PROFIT | 1409 | 529 | 1938 | | | | |
| | £7049 | £2300 | £9349 | | £7049 | £2300 | £9349 |

**Balance Sheet** on 31st December, **1914.**

| Liabilities. | | £ | Assets. | | £ |
|---|---|---|---|---|---|
| SUNDRY CREDITORS:— | | | Cash:— | | |
| Head Office | £2357 | | Head Office | £900 | |
| York Branch | 1100 | 3457 | York Branch | 50 | 950 |
| CAPITAL, 1st July, 1914 | £5000 | | Sundry Debtors:— | | |
| *Add* Net Profit | 1938 | 6938 | Head Office | £2100 | |
| | | | York Branch | 1695 | 3795 |
| | | | Stock:— | | |
| | | | Head Office | £2000 | |
| | | | York Branch | 800 | 2800 |
| | | | Premises | | 2500 |
| | | | Fixtures:— | | |
| | | | Head Office | £260 | |
| | | | *Less* Depreciation | 10 | |
| | | | | 250 | |
| | | | York Branch | 105 | |
| | | | *Less* Depreciation | 5 | 100 |
| | | | | | 350 |
| | £ | 10395 | | £ | 10395 |

**Example 2.**—Hepworth & Co., of Bradford, send to their Branches at Leeds and Hull, goods at selling price. Except the Sales Ledgers, the whole of the A/cs. are kept at the Head Office at Bradford. From the following particulars prepare the Branch A/cs. in the Head Office books.

| | Leeds Branch. | Hull Branch. |
|---|---|---|
| Cash in Hand | £36 | £20 |
| Stock at selling price, 1st July, 1912 | 4000 | 2800 |
| Sundry Debtors, 1st July, 1912 | 1500 | 1080 |
| Goods received from Head Office | 30000 | 20000 |
| Returns to Head Office | 400 | 240 |
| Goods sold on credit | 19640 | 12780 |
| Goods sold for Cash | 10300 | 6642 |

| | | |
|---|---|---|
| Payments by Sundry Debtors ..... | £19230 | £12384 |
| Allowed to Sundry Debtors for Discount.. | 320 | 214 |
| Trade Expenses ..... | 230 | 152 |
| Wages and Salaries ..... | 1240 | 980 |
| Rent, Rates & Insurance ..... | 650 | 380 |
| Bad Debts ..... | 210 | 82 |
| Difference between Cost and Selling Price | 236 | 152 |

Head Office figures as follows :—Stock, 1st July, 1912, at cost, £15200 ; Stock, 31st December, 1912, £13800 ; Cash in hand, £44 ; Cash at Bank, £3280 ; Purchases, £27242 ; Capital A/c., £19604 ; Wages and Salaries, £2040 ; Rent, Rates & Insurance, £696 ; Trade Expenses, £840 ; Discount received, £528 ; Sundry Creditors, £4864 ; Freehold Premises, £10400 ; Fittings & Fixtures, £6240 ; Depreciation, £1300.

**Dr.** **Sundry Debtors' A/c.** **Cr.**

| | Leeds Branch. | Hull Branch. | | Leeds Branch. | Hull Branch. |
|---|---|---|---|---|---|
| To Balance, 1st July *b/f* | £1500 | £1080 | By Cash ..... | £19230 | £12384 |
| ,, Sales on Credit ..... | 19640 | 12780 | ,, Discount ..... | 320 | 214 |
| | | | ,, Bad Debts..... | 210 | 82 |
| | | | ,, *Balance .....c/f* | 1380 | 1180 |
| | £21140 | £13860 | | £21140 | £13860 |

**Expenses Journal.**

| | Wages & Salaries. | Trade Expenses | Rent, Rates & Insurance | Discount. | Bad Debts. | Depreciation. |
|---|---|---|---|---|---|---|
| Head Office..... | £2040 | £840 | £698 | | | £1300 |
| Leeds ..... | 1240 | 230 | 650 | £320 | £210 | |
| Hull ..... | 980 | 152 | 380 | 214 | 82 | |
| | £4260 | £1222 | £1728 | £534 | £292 | £1300 |

**Branch A/cs.** in the **Head Office Books** for the half-year

**Dr.** ended 31st December, 1912. **Cr.**

| | Leeds Branch. | Hull Branch. | | Leeds Branch. | Hull Branch. |
|---|---|---|---|---|---|
| | £ | £ | | £ | £ |
| To Stock, 1st July... | 4000 | 2800 | By Sales on Credit ..... | 19640 | 12780 |
| ,, Goods ..... | 30000 | 20000 | ,, Sales for Cash..... | 10300 | 6642 |
| | | | ,, Returns to H.O. ..... | 400 | 240 |
| | | | ,, Difference between Cost & Selling Price | 236 | 152 |
| | | | ,, STOCK, 31st Dec.... | 3424 | 2986 |
| | £34000 | £22800 | | £34000 | £22800 |

**Trading & Profit & Loss A/c.**

Dr. for the half-year ended 31st December, 1912. Cr.

| | | | | | |
|---|---|---|---|---|---|
| To Stock, 1st July | | £15200 | By Sales— | | |
| ,, Purchases | | 27242 | Leeds Branch | £29940 | |
| ,, GROSS PROFIT c/d. | | 20720 | Hull Branch | 19422 | £49362 |
| | | | ,, STOCK, 31st Dec. | | 13800 |
| | | £63162 | | | £63162 |
| To Wages and Salaries | | £4260 | By Gross Profit b/d. | | £20720 |
| ,, Rent, Rates & Insurance | | 1728 | ,, Discount received | | 528 |
| ,, Trade Expenses | | 1222 | | | |
| ,, Discount allowed | | 534 | | | |
| ,, Bad Debts | | 292 | | | |
| ,, Depreciation | | 1300 | | | |
| ,, NET PROFIT | | 11912 | | | |
| | | £21248 | | | £21248 |

**BALANCE SHEET** on 31st December, 1912.

| Liabilities. | £ | Assets. | £ | £ |
|---|---|---|---|---|
| Sundry Creditors | | 4864 | Cash in hand:— | | |
| CAPITAL A/c., | | | Head Office | £44 | |
| 1st July, 1912 | £19604 | | Leeds Branch | 36 | |
| *Add* Net Profit for half-year | 11912 | 31516 | Hull Branch | 20 | £100 |
| | | | Cash at Bank | | 3280 | 3380 |
| | | | Sundry Debtors:— | | | |
| | | | Leeds Branch | 1380 | | |
| | | | Hull Branch | 1180 | | 2560 |
| | | | Stock | | | 13800 |
| | | | Freehold Premises | | | 10400 |
| | | | Fittings & Fixtures | | | 6240 |
| | | £36380 | | | | £36380 |

**Example 3.**—The Head Office of Taylor & Co., of Sheffield, send to their two local branches, goods at cost price, the cash received being paid to the Head Office daily. Prepare Profit & Loss A/cs. for the two Branches for the half-year ended 30th June, 1913, from the following particulars :—

| | Albert Road. | Petre Street. |
|---|---|---|
| Stock, 1st January, 1913 | £760 | £645 |
| Goods received from Head Office, less Returns | 5340 | 4235 |
| Stock, 30th June, 1913 | 630 | 870 |
| Cash paid to Head Office | 7300 | 6550 |
| Rent, Rates and Insurance | 260 | 210 |
| Wages and Expenses | 440 | 325 |
| Sundry Debtors, 1st January, 1913 | 100 | 85 |
| Sundry Debtors, 30th June, 1913 | 95 | 80 |

**Albert Road Branch Profit & Loss A/c.**

**Dr.** for the half-year ended 30th June, 1913. **Cr.**

| 1913 | | £ | £ | 1913 | | £ | £ |
|---|---|---|---|---|---|---|---|
| Jan. 1 | To Stock ..... £760 | | | June 30 | By Cash ..... | | 7300 |
| ,, 1 | ,, Sundry Debtors ... 100 | 860 | | ,, 30 | ,, *Stock c/d*..... £630 | | |
| | | | | ,, 30 | ,, *Sundry Debtors c/d.* ..... 95 | 725 | |
| June 30 | ,, Goods from H.O. ..... | 5340 | | | | | |
| ,, 30 | ,, Rent, Rates & Insurance | 260 | | | | | |
| ,, 30 | ,, Wages and Expenses ... | 440 | | | | | |
| ,, 30 | ,, NET PROFIT ..... | 1125 | | | | | |
| | | £ 8025 | | | | £ | 8025 |
| 1913 | | | | | | | |
| July 1 | To Stock b/d. ..... £630 | | | | | | |
| ,, 1 | ,, Sundry Debtors b/d. 95 | 725 | | | | | |

**Petre Street Branch Profit & Loss A/c.**

**Dr.** for the half-year ended 30th June, 1913. **Cr.**

| 1913 | | £ | £ | 1913 | | £ | £ |
|---|---|---|---|---|---|---|---|
| Jan. 1 | To Stock ..... £645 | | | June 30 | By Cash ..... | | 6550 |
| ,, 1 | ,, Sundry Debtors ... 85 | 730 | | ,, 30 | ,, *Stock c/d*..... £870 | | |
| | | | | ,, 30 | ,, *Sundry Debtors c/d.* ..... 80 | 950 | |
| June 30 | ,, Goods from H.O. ..... | 4235 | | | | | |
| ,, 30 | ,, Rent, Rates & Insurance | 210 | | | | | |
| ,, 30 | ,, Wages and Expenses ... | 325 | | | | | |
| ,, 30 | ,, NET PROFIT ..... | 2000 | | | | | |
| | | £ 7500 | | | | £ | 7500 |
| 1913 | | | | | | | |
| July 1 | To Stock b/d. ..... £870 | | | | | | |
| ,, 1 | ,, Sundry Debtors b/d. 80 | 950 | | | | | |

**Example 4.**—H. Crossley & Co. have a Head Office which acts as a distributing centre to their two Branches, where all Sales are made. All Purchases are made by the Head Office, and goods are charged out to the Branches at selling price. All Expenses are paid by the Head Office, where the books are kept, except the Sales Ledgers, which are kept at the Branches. The Head Office, however, keeps Total Debtors' A/c. in respect of these. On taking Stock at the Sheffield Branch at selling price, it was found that the actual Stock was short by £24, compared with the balance of the Stock A/c. In the same way the actual Stock at the Glasgow Branch was greater by £14 than the balance on their Stock A/c. It was decided to write off these differences. From the particulars given, write up the Branch A/cs. in the Head Office Books, and prepare Trading and Profit & Loss A/cs. for the year ending 31st December, 1914, and Balance Sheet as at that date.

| *Accounts.* | *Head Office.* | *Sheffield Branch.* | *Glasgow Branch.* |
|---|---|---|---|
| | £ | £ | £ |
| Stock at Selling Price, 1st Jan., 1914 | | 4000 | 2800 |
| Goods sent to Branches | | 30000 | 20000 |
| Goods sold on Credit | | 19640 | 12780 |
| Goods sold for Cash | | 10300 | 6642 |
| Goods returned to Head Office | | 400 | 240 |
| Allowances off Selling Price | | 288 | 152 |
| Debtors at 1st January, 1914 | | 1500 | 1080 |
| Cash received from Debtors | | 19230 | 12384 |
| Discounts allowed to Debtors | | 220 | 214 |
| Bad Debts | | 210 | 82 |
| Stock, 1st Jan., at H.O. and Branches | 15200 | | |
| Ditto, 31st December, 1914 | 13800 | | |
| Purchases | 27242 | | |
| Salaries | 2040 | 1240 | 980 |
| Trade Expenses | 840 | 280 | 152 |
| Rent, Rates & Taxes | 698 | 650 | 380 |
| Depreciation | 1300 | | |
| Discounts Received | 528 | | |
| Creditors | 4864 | | |
| H. Crossley, Capital A/c. | 29884 | | |
| H. Crossley, Drawing A/c | 10280 | | |
| Leasehold Premises | 10400 | | |
| Fixtures & Fittings | 6240 | | |
| Cash at Bank | 3280 | | |
| Cash in hand | 44 | 36 | 20 |

**Dr.** **Branch A/cs. in the Head Office Books** for the year ended 31st December, 1914. **Cr.**

| | Sheffield Branch. | Glasgow Branch. | | Sheffield Branch. | Glasgow Branch. |
|---|---|---|---|---|---|
| | £ | £ | | £ | £ |
| To Stock, 1st Jan. | 4000 | 2800 | By Sales on Credit | 19640 | 12780 |
| ,, Goods from H.O. | 30000 | 20000 | ,, Sales for Cash | 10300 | 6642 |
| ,, Difference in Stock | | 14 | ,, Returns to H.O. | 400 | 240 |
| | | | ,, Difference between Cost and Selling Price | 286 | 152 |
| | | | ,, Difference in Stock | 24 | |
| | | | ,, STOCK, 31st December ...*c/f.* | 3400 | 3000 |
| | £34000 | £22814 | | £34000 | £22814 |

**Dr.** **Sundry Debtors A/c.** **Cr.**

| | S.B. | G.B. | | S.B. | G.B. |
|---|---|---|---|---|---|
| | £ | £ | | £ | £ |
| To Balance, 1st Jan. | 1500 | 1080 | By Cash | 19230 | 12384 |
| ,, Sales on Credit | 19640 | 12780 | ,, Discount | 220 | 214 |
| | | | ,, Bad Debts | 210 | 82 |
| | | | ,, *Balance* ...*c/f.* | 1380 | 1180 |
| | £21140 | £13860 | | £21140 | £13860 |

## Trading and Profit & Loss A/c.

of H. CROSSLEY & Co., for the year ended 31st December, 1914.

| Dr. | £ | £ | Cr. | £ |
|---|---|---|---|---|
| To Stock, 1st Jan. | | 15200 | By Sales:— | |
| ,, Purchases | | 27242 | Sheffield Branch ..... 29940 | |
| ,, GROSS PROFIT | | 20720 | Glasgow Branch ..... 19422 | |
| | | | | 49362 |
| | | | ,, STOCK, 31st Dec. | 13800 |
| | | £63162 | | £63162 |
| To Salaries:— | £ | | | |
| Head Office | 2040 | | By Gross Profit | 20720 |
| Sheffield Branch | 1240 | | ,, Discount Received | 528 |
| Glasgow Branch | 980 | | | |
| | | 4260 | | |
| ,, Trade Exs.:— | | | | |
| Head Office | 840 | | | |
| Sheffield Branch | 230 | | | |
| Glasgow Branch | 152 | | | |
| | | 1222 | | |
| ,, Rent, Rates & Taxes:— | | | | |
| Head Office | 698 | | | |
| Sheffield Branch | 650 | | | |
| Glasgow Branch | 380 | | | |
| | | 1728 | | |
| ,, Discount Allowed:— | | | | |
| Sheffield Branch | 320 | | | |
| Glasgow Branch | 214 | | | |
| | | 534 | | |
| ,, Bad Debts:— | | | | |
| Sheffield Branch | 210 | | | |
| Glasgow Branch | 82 | | | |
| | | 292 | | |
| ,, Depreciation | | 1300 | | |
| ,, NET PROFIT | | 11912 | | |
| | | £21248 | | £21248 |

## BALANCE SHEET of H. CROSSLEY & Co., on 31st December, 1914.

| Liabilities. | £ | £ | Assets. | £ | £ |
|---|---|---|---|---|---|
| Sundry Creditors | | 4864 | Leasehold Premises | | 10400 |
| | | | Fixtures and Fittings | | 6240 |
| CAPITAL A/c.:— | £ | | Stock | | 13800 |
| 1st Jan., 1914 | 29884 | | Sundry Debtors:— | £ | |
| *Add* Profit | 11912 | | Sheffield Branch | 1380 | |
| | 41796 | | Glasgow Branch | 1180 | |
| *Less* Drawings | 10280 | | | | 2560 |
| | | 31516 | Cash—At Bank | 3280 | |
| | | | In Hand:— | | |
| | | | Head Office ..... £44 | | |
| | | | Sheffield Branch ... 36 | | |
| | | | Glasgow Branch ... 20 | | |
| | | | | 100 | |
| | | | | | 3380 |
| | | £36380 | | | £36380 |

**Example 5.**—The following are Trial Balances of the Head Office and Derby Branch, respectively, of a business at 31st December, 1915. Prepare amalgamated Balance Sheet, and show the Derby Current Account in the Head Office books.

| | Head Office. | | Derby Branch. | |
|---|---|---|---|---|
| | Dr. | Cr. | Dr. | Cr. |
| | £ | £ | £ | £ |
| Share Capital | | 21000 | | |
| P. & L. A/c. 1st January, 1915 | | 530 | | |
| P. & L. A/c. Profit for year | | 6200 | | 1900 |
| Goodwill | 5000 | | | |
| Stock | 6500 | | 3200 | |
| Sundry Debtors | 7300 | | 4100 | |
| Sundry Creditors | | 3100 | | 1600 |
| Cash | 2100 | | 520 | |
| Plant and Machinery | 4300 | | 1700 | |
| Reserve for Bad Debts | | 250 | | 140 |
| Goods sent to Branch | 1500 | | | 1500 |
| Cash sent to Head Office | | 2000 | 2000 | |
| Branch A/c. 1st January, 1915 | 6380 | | | 6380 |

**Dr. Derby Branch A/c. in Head Office Books. Cr.**

| 1915 | | £ | 1915 | | £ |
|---|---|---|---|---|---|
| Jan. 1 | To Balance | 6380 | Dec. 31 | By Cash | 2000 |
| Dec. 31 | ,, Goods | 1500 | | ,, Balance | 7780 |
| | ,, *Transfer to P. & L. A/c.* | 1900 | | | |
| | | £9780 | | | £9780 |
| 1916 | | | | | |
| Jan. 1 | To Balance | £7780 | | | |

BALANCE SHEET on 31st December, 1915.

| Liabilities. | | £ | Assets. | | £ |
|---|---|---|---|---|---|
| **Share Capital:—** | | | Goodwill | | 5000 |
| 21000 Shares of £1 ea. fully paid | | 21000 | Plant & Machinery:— | | |
| Sundry Creditors:— | | | Head Office | £4300 | |
| Head Office | £3100 | | Derby | 1700 | 6000 |
| Derby | 1600 | 4700 | Stock:— | | |
| PROFIT & LOSS A/c.:— | | | Head Office | 6500 | |
| Balance on 1st Jan. | 530 | | Derby | 3200 | 9700 |
| *Add* Profit for year | 8100 | 8630 | Sundry Debtors:— | | |
| | | | Head Office | £7300 | |
| | | | *Less* Reserve | 250 | 7050 |
| | | | Derby | 4100 | |
| | | | *Less* Reserve | 140 | 3960 11010 |
| | | | Cash:— | | |
| | | | Head Office | 2100 | |
| | | | Derby | 520 | 2620 |
| | | £34330 | | | £34330 |

**BRANCH EXERCISE 1.** (*Departmental Method.*)

John Woollen and Alfred Worsted were in partnership as wholesale clothiers, and also had retail shops at Pudsey and Bradford. Separate a/cs. of the factory and branches must be kept. On 1st Jan., 1904, the following balances were standing in their books :—Cash £71 18 4 ; Bank overdrawn, £231 17 6. Plant and Machinery at factory, £2000 ; Fittings, &c., at factory, £700 ; Bradford, £80 ; Pudsey, £40. The factory owed A. Archer £500, and Sundry Persons £300 – 10 for goods supplied. There was owing for goods supplied by the factory to sundry persons £800. Stocks :—Factory £900, Bradford, £280, Pudsey, £160. Capital owned and profits divided in the following proportions :—J. Woollen two-thirds and A. Worsted one-third. Open books, post, raise Trading A/cs., P. & L. A/cs., and B/S.

| Jan., 1904. | | £ | s. | d. |
|---|---|---|---|---|
| 2. | Goods forwarded from factory to (B) £84 ; to (P) | 50 | – | – |
| 7. | Sent from factory to sundry persons on a/c. of (B) | 12 | – | – |
| 11. | Goods returned from (B) and forwarded to (P) | 25 | 17 | – |
| | Carr. pd. by (B) chargeable ½ to facty. & ½ to (P) | 1 | 7 | – |
| 12. | Recd. from sundry persons. Cheques £126 2 6, P.O.'s £25 17 6, Dis. allowed £8 1 ..... | 160 | 1 | – |
| | Paid into Bank ..... | 150 | – | – |
| 13. | Paid sundry persons—By cheques £29 15 –, by P.O's £7 5 –. Dis. £1 19 – ..... | 38 | 19 | – |
| 14. | Goods bought from A. Archer (factory) ..... | 220 | – | – |
| | Paid A. Archer cheque, £292 10 –, discount ... | 7 | 10 | – |
| | Drew £140 from Bank and paid wages at factory | 129 | 18 | 10 |
| 16. | Bot. goods from C. Coates, value £35, which were forwarded direct to branches and invoiced to them as follows : (B) £29 10 – ; (P) £10 10 – | 40 | – | – |
| 19. | Received note from (B) for goods returned to C. Coates amounting at factory invoice price to £9 19 – (the cost price being £8 15 –) carriage paid on same by (B) £1 0 6, chargeable toCoates | | | |
| | Forwarded goods to branches from factory (B) £184 17 4, (P) £65 19 10 ..... | 250 | 17 | 2 |
| 20. | Sold sundry persons from factory, goods ..... | 317 | 15 | 4 |
| 22. | Goods supplied from (B) to sundry persons on a/c. of factory ..... | 27 | 10 | 8 |
| 28. | Drew £100 from Bank and paid factory wages | 131 | 19 | 3 |
| 30. | Received statement of cash sales from branches : (B) £360 3 2, (P) £264 19 – from which the following payments must be deducted for salaries, rents, &c., (B) £27 10 –, (P) £19 17 6 | 47 | 7 | 6 |
| | Received balances of cash. Paid into Bank .. | 580 | – | – |
| | Received carriage a/c. for month (payable on Feb. 6th) two-fifths chargeable to factory, two-fifths to (B), one-fifth to (P) ..... | 25 | 15 | – |
| | Interest on Capital at 5% to be allowed. | | | |

*Stocks at factory*, £950 ; *B.* £310 ; *P.* £140. (*Ans. next page.*)

**Answer.**—*Profit : Factory*, £275 10 11 ; *Bradford*, £119 14 – ; *Pudsey*, £66 18 2 ; *Net*, £446 17 9 ; *Cap., J. W.* £2975 14 1 ; *A. W.*, £1487 17 – ; *Total of B/S.*, £5259 14 11.

### BRANCH EXERCISE 2. (*Separate Books at Branch.*)

A Leeds firm have a branch at Halifax, the following being the opening balances of the branch. Enter these and the transactions in the Branch Books which complete ; cheques being drawn by the branch on the Head Office Bank A/c. when making payments. 1st Jan., 1906.

| | | | |
|---|---|---|---|
| Sundry Creditors :— | | Stock in hand | £150 |
| Walter Smith | £20 | Sundry Debtors :— | |
| B. Addy | 10 | Thomas Jones | £10 |
| Tom Field | 5 | Herbert Ford | 15 |
| Ernest Williams | 10 | John Hill | 20 |
| | 45 | William Teal | 15 |
| Head Office A/c. | 165 | | 60 |

| | | |
|---|---|---|
| Jan. 2. | Received Goods from Tom Field | £30 |
| | Sold Thomas Jones, Goods | 10 |
| ,, 6. | Received Cash from Thomas Jones | 10 |
| ,, 8. | Sent Cheque to Tom Field | 20 |
| ,, 20. | Sold Goods to William Teal | 37 |
| ,, 20. | Sold Goods to Ernest Williams | 5 |
| ,, 20. | Sent Cheque to Walter Smith | 15 |
| ,, 29. | Received Cash from William Teal | 37 |
| ,, 29. | Received Cash from Ernest Williams | 5 |
| ,, 31. | *Stock in hand*, £145. | |

**Answer.**—*Branch Profit*, £17 ; *H. O. Bal.* £165 ; *Total B/S.* £205.

### BRANCH EXERCISE 3.

A South Wales Provision Merchant has several branches which are supplied from the Head Office. Each Branch has its own Sales Ledger, and hands over the total amount of cash received to the Head Office every day. In the invoices for the goods supplied by the Head Office to the Branches, 25% is added to the cost. All expenses are paid from the Head Office. From the following transactions of the Branches raise the Ledger A/cs. in the Head Office Books, and prepare an a/c. showing gross profit :—

| | Cardiff. | Newport. | Bridgend. |
|---|---|---|---|
| Goods received from Head Office | £5500 | £4500 | £3500 |
| Total Sales | 5200 | 4300 | 3100 |
| Cash Sales | 2750 | 2250 | 1650 |
| Cash received on Ledger Accounts | 2250 | 1850 | 1250 |
| Debtors at commencement | 1555 | 1665 | 1350 |
| Debtors at close | 1755 | 1865 | 1550 |
| Stock at commencement | 750 | 650 | 450 |
| Stock at close | 1060 | 960 | 760 |

**Answer.**—*Profit, Cardiff* £1048 ; *Newport* £948 ; *Bridgend* £548.

**Exercise 101.** (*W.R.C.C. Advanced*, 1897.)

**1.** After writing up the Trading A/c. of the West Riding Engineering Co., on 31st Mar., 1897, these balances stood in the books. **Dr. Balances:**—Debtors £2800; B/R. £2200; Plant, Machinery and Tools £3000; Office Furniture £100; Horses and Conveyances £500; Bank £850; Cash £90; Leasehold Premises £2880; Interest £60; Stock £4020. **Cr. Balances:**—Creditors £1200; B/P. £2060; Trading & P/L. £1080; Provision for Discounts and Loss on Debts £240; Provision for Outstanding Liabilities £120; Joseph Picker's Cap. £5000; Wm. Bean's Cap. £6800; Complete the P/L. A/c. and prepare B/S., crediting to each Partner one year's int. at 5% on his cap., and a half-share in the net profit.

**Answer.**—*Net Profit* £430; *Capital J. P.* £5465; *W. B.* £7355.

**2.** John Nightingale, East Street, Sheffield, sells to the Low Moor Iron Co., on 4th Mar., 1897, 40 tons of Scotch Iron at 45s. per ton; 10th Mar. 100 tons of Swedish Iron at 44s. per ton; 19th Mar. 80 tons of Hematite Iron at 42s. per ton; and receives 30th Mar. £200 on a/c., and on 2nd Apr. a B/E. at three mos. for £250.

(*a*) Make out an Invoice of the first transaction.
(*b*) A Statement of Account on 27th July, 1897. (*Bal.* £28).
(*c*) Draw the B/E. mentioned above, make it payable in Leeds, and write upon it an acceptance for payment at the Leeds Joint Stock Bank, Ltd.
(*d*) Note at the left-hand side the amount of Stamp Duty.
(*e*) Also rule a form of John Nightingale's Bill Book, and enter in it the particulars of this Bill.

**3.** (*a*) What entries would appear in the Low Moor Iron Co.'s books in respect of the B/E. mentioned in the foregoing question? (*b*) Make a copy of John Nightingale's A/c. as shown in the Co.'s Ledger on 27th July, 1897.

**4.** What would be the effect on the a/c. of a business of the following errors in Book-keeping:—(*a*) A sale of goods of the value of £25 posted to the debit of charges a/c., instead of to the debit of the personal a/c. of the purchaser. (*b*) A sum of £40, paid for rent of premises posted wrongly to the debit of a personal a/c. (*c*) A payment of £200 10s. entered in the C.B. as £220.

**5.** What are Cost A/cs.? State shortly how they are prepared. Give an example.

**6.** Journalise the following Waste Book entries:—(*a*) I pay cash £400 for John Wilson's Draft on Leeds Joint Stock Bank, Ltd., and remit it to the Bradford Old Bank, Ltd., to cover my bill payable now due at the latter Bank. (*b*) On opening my books, I have an outstanding consignment of goods to Bombay of the value of £800. (*c*) John Smith, my porter, having been injured has sued me for damages and obtained a verdict for £25, which I settle by cheque. (*d*) My clerk has lost a ten-pound Bank-note which I deduct by instalments from his salary.

**7. What is a Sinking Fund and Reserve Fund? Illustrate.**

**Exercise 102.** (*W.R.C.C. Advanced,* 1898.)

**1.** Hy. Bennett, Chas. Mellor, and Ed. Bradbury are in partnership as Wholesale and Export Clothiers. Their Cap. on 1st Jan., 1897, was £12000, divided as follows :—H. Bennett, one-fifth ; C. Mellor, two-fifths ; and E. Bradbury, the remainder. On 31st Dec., 1897, the following Balances stood in the books :— **Dr. Balances:**—Freehold Buildings £6406 ; Plant and Machy. £1395 5 7 ; Stock £3928 16 6 ; Debtors £4127 5 6 ; B/R. £1459 18 6 ; Bank £2763 9 7 ; Cash £135 15 8 ; Bennett's Withdrawals £311 1 9 ; Mellor's Withdrawals £240 ; Bradbury's Withdrawals £400. **Cr. Balances:**—Mortgage £4500 ; Crs. £2240 2 5 ; B/P. £2427 10 8. Prepare B/S. ; also Bennett's, Mellor's and Bradbury's Cap. A/cs.

**Answer.**—*Cap. H.B.*, £2088 18 3 ; *C.M.*, £4560 ; *E.B.*, £4400.

**2.** Make out Trading and P/L. A/cs. of the Flyaway Bicycle Co. from—1st Jan., 1897, Stock of Finished Machines £9600 ; Raw Materials £2500 ; 31st Dec., Materials purchased during year £12500 ; Productive Wages paid £16500 ; Manufacturing Exs. £4600 ; Sundry Branch Exs. £8000 ; Travellers' Salaries £3000 ; Agents' Commission £1800 ; Bad Debts £1650 ; Depreciation of Machy. and plant £1250. During the year 10000 Machines were sold, realising in the aggregate £105000. On the 31st Dec. the cost price value of the raw *materials on hand* was £2200 ; and the *Stock* of 460 Finished Machines £3680.

**Answer.**—*Gross Profit*, £65180 ; *Net* £49480.

**3.** Darlow & Walsh are the acceptors of a bill at 4 months date for £659 14 8, due on the 24th January, 1898. A few days before it matured D. & W. found they could not meet it and wrote to the drawers, Messrs. Earle & Creasey, requesting them to renew the bill for 3 mos., adding int. at 5% per annum. The drawers (Earle & Creasey) expressed their willingness to do so conditionally upon Darlow & Walsh lodging security with them for the amount of the Renewed Bill. D. & W. offered as security 5 customers' bills, viz. :—

1. H. G. Bourner & Co.'s bill £209 11 6, due 14th February.
2. Neville & Co 's bill £173 4 9, due 26th February.
3. James Hordarn & Co.'s bill £89 14 8, due 25th March.
4. George Blakey & Co.'s bill £82 16 –, due 19th April.
5. Smith, Wilks & Co.'s bill £112 12 9, due 26th April.

Each of the above five bills was discounted by Earle & Creasey's bankers, and Darlow & Walsh's Renewed Bill was paid into the bank one month after its acceptance. Bills 1, 2, and 4 were duly honoured. Bill 3 was dishonoured and returned to Earle & Creasey, who drew a cheque for its amount, plus 7/6 noting expenses. Darlow & Walsh on being called upon, made good this amount ten days later. Bill 5 reached maturity the same day as Darlow & Walsh's Renewed Bill, and both were dishonoured.

(*a*) Draw the Renewed Bill, adding £1 8 11 for stamp and other expenses, also 5% int. for the term of the bill's currency. (*b*) Show Earle & Creasey's Journal entries. (*c*) Show Darlow & Walsh's A/c. as it appears in Earle & Creasey's Ledger.

**4.** What is meant by *Depreciation*? How does it apply to Goodwill, Machinery, and Stock? 5. When taking stock how would you value goods, the price of which fluctuates frequently?

**Exercise 103.** (*W.R.C.C. Advanced*, 1899.)

**1.** Messrs. Lux & Lucifer, Birmingham, consign on 1st Feb., 1899, to M. Marconi, of Milan, 500 "Radiant" Electric Lamps invoiced at 18s. each, and pay Freight £5 18 6 and Insurance £2 15. 125 lamps are damaged and rendered worthless by storm, and M. Marconi receives £72 in settlement from Underwriters. He sells 250 lamps for £240, and on 4th Apl. sends A/S. and Bankers' Draft for bal. due to the Consignors, after charging his agency exps. £5 10 and comm. £15 12. Give the a/cs. as they would appear in Lux & Lucifer's Ledger.

**2.** The Blarneystone Diamond Syndicate, Ltd., has a nominal cap. of £80000, divided into 10000 £4 8% Pref. Shares and 40000 £1 Ordy. Shares. On 2nd Jan., 1899, 8000 Pref. and 20000 Ordy. Shares are applied for, and 5s. per share is recd. and paid into the Company's bank. On 1st Feb. these shares are allotted; 10/- per Share being payable on allotment, £3500 is recd. for Pref. and £8000 for Ordy. during Feb. On 1st Mar. Calls are made, viz., £2 per Share Pref. and 5/- per Share Ordy., and during Mar. £13000 is received for Pref. Call and £3200 for Ordy. Call. Journalise the foregoing transactions, post to ledger, and state amounts unpaid on each class of Share. **Answer.**—*Ordy.* £3800; *Pref.* £3500.

**3.** On 1st Jan., 1880, machinery is purchased for £3000. Depreciation at the rate of 7½% per ann. upon the original cost is written off during the next four years. Then £400 is added to the machinery A/c. for expenditure upon improvements, and for the next three years 10% is written off upon the diminishing balance of the A/c. The machinery is then sold for £1200. Give Ledger A/c. showing the net loss. **Answer.**—£622 10s.

**4.** A merchant has in stock at 21st Dec. a quantity of goods purchased in Sept. for £1200. He could not buy these in Dec. for less than £1400. Give your opinion as to the value he should place upon these goods in taking stock 31st Dec., and state the considerations upon which that opinion is based.

**5.** Explain the meaning of 6% Cumulative Preference Shares; 4½% First Mortgage Debentures; Bank Commission; Register of Members; Trade Discount.

**6.** Below is the T.B. of the Cyclops Machinery Co., Ltd., at 31st Dec., 1898, on which date the **Stock** is £11486 15 9. Make the following provisions:—2½% Dis. upon Sundry Debtors' Balances; £486 estimated further loss for Bad Debts; 5% Depreciation upon Plant; 10% Depreciation upon Patterns; 20% Depreciation upon Patents and Trade Marks. Set aside 5% of Net Profit to a Workpeople's Insurance Fund A/c. Prepare Trading, P. & L. A/cs. and B/S. showing proposed Appropriation of Net Profit.

| Dr. Balances— | | | | Dr. Balances continued— | | | |
|---|---|---|---|---|---|---|---|
| Stock, 1st January | £13294 | 6 | 9 | Plant & Machinery | £18090 | 16 | 4 |
| Discounts | 1291 | 13 | 4 | Cash | 417 | 1 | 1 |
| Carriage | 1129 | 3 | 6 | Goodwill | 5000 | – | – |
| Patterns | 7623 | 14 | 6 | Material Purchased | 24637 | 11 | 9 |
| Rates, Taxes, Gas, &c. | 1121 | 2 | 3 | | | | |
| Patents,TradeMks.,&c. | 3260 | – | – | Cr. Balances— | | | |
| Advertising | 324 | 11 | 9 | 20000rd.Shares£10ea. | 20000 | – | – |
| Debtors | 4691 | 13 | 11 | 20006% Prcf.Shs.£10ea. | 20000 | – | – |
| Freehold Land & Bldgs. | 24320 | – | – | 5% Debentures | 10000 | – | – |
| Wages | 26081 | 2 | 5 | National Bank, Ltd. | 15746 | 9 | 8 |
| Agency Exs. & Comm. | 259 | 13 | 4 | Creditors | 3658 | 11 | 2 |
| Trade Expenses | 963 | 4 | 7 | Sales | 64290 | 14 | 1 |
| Debenture Interest | 500 | – | – | Rents | 246 | 11 | 1 |
| Repairs | 1192 | 14 | 7 | RevenueA/c.Bal.1Jan. | 659 | 13 | 2 |
| Bad Debts | 896 | 11 | 2 | Discounts | 493 | 2 | 1 |

**Answer.**—*Gross Profit* £10635 5 5 ; *Net* £1915 6 6 ; *Pref. Div.* £1200 ; *Undivided Profit* £1279 4 8 ; *Total of B/S.* £71980 – 6.

**Exercise 104.** (*W.R.C.C. Advanced,* 1900.)

**1.** The Khaki Manufacturing Co., Ltd., commenced business 1st Jan., 1900. On 30th June the T.B. stands as given below.

Include Res. for Dis. on Debtors' balances £200, and for Bad Debts £100. The following sums are owing :—Rates £50 ; Commission £100. Charge Depreciation at the following rates per ann. :—Engine and Boiler 10% ; Machy., &c., 7½% ; Cards, Bobbins, &c., 40% ; Office Furniture 5% ; Electric Light Installation 20%. Prepare Trading, P/L. A/cs. and B/S., providing the Pref. Div., £10 per share Ord. Div. and £250 to General Reserve Fund A/c.

| Dr. Balances— | | | Dr. Balances continued— | | |
|---|---|---|---|---|---|
| Plant, Machy. & Fixtures | £3140 | – | Bankers | £789 | – |
| Bad Debts | 120 | – | Carriage | 350 | – |
| Wages | 7304 | – | Rates & Insurance | 130 | – |
| Advertising | 95 | – | Commission | 400 | – |
| Cash | 35 | – | Fuel | 420 | – |
| Debenture Interest paid | 112 | 10 | Returns Inwards | 200 | – |
| Engine & Boiler | 900 | – | Stationery & Postage | 36 | – |
| Materials consumed | 18500 | – | Land & Buildings | 5700 | – |
| Stock Materials 30th June | 1450 | – | | | |
| Sundry Debtors | 6256 | 5 | Cr. Balances— | | |
| Electric Light Installation | 250 | – | 4½ First Mort. Deb. Stock. | 5000 | – |
| Trade Exs. | 260 | – | 1000 6% Pref. Shares £5 ea. | 5000 | – |
| Cards, Bobbins, Gears, &c. | 650 | – | 100 Ordy. Shares £50 ea. | 5000 | – |
| Office Furniture | 100 | – | Sales | 31028 | 15 |
| Repairs | 250 | – | Discount Received | 520 | – |
| Discount allowed | 820 | – | Cottage Rents received | 39 | – |
| Travellers' & Office Salaries | 420 | – | Sundry Creditors | 2100 | – |

**Answer.**—*Gross Profit* £4674 15 ; *Net* £1400 ; *Total B/S.* £18650.

**2.** How can the Ledger of a large business be conveniently divided and sub-divided ? How would you deal with the multiplicity of small single transactions with various customers who as a rule pay cash within ten days of the date of the sale ?

**3.** A Trader discharges his liabilities monthly by means of 14 days Bank Drafts. Explain how this is done, and state what advantages the system offers.

**4.** Goods are purchased on 17th Apr., dated forward as July ; the buyer makes up his books on 30th June. How should this item be dealt with in the Bought Day Book, Ledger and B/S. ?

**5.** In Smith's Ledger the following items appear at debit of Jones' A/c. :—Jan. 2nd. To Goods £10 15 –. Feb. 16th. To Goods £7 10 –. On 31st Mar. Smith sends to Jones a Statement for £18 5 –. Jones writes that he paid Smith's traveller £10 – – on 1st Feb., and was allowed 15s., and that he has not recd. the Feb. 16th Goods £7 10 –. How should Smith act under these circumstances, and how can he prevent the recurrence of such difficulties ?

**6.** A Merchant has on deposit with his Bankers £20000 at 3%, he receives a 4 mos. bill £1000 from a customer. The Bank rate being 4%, state the effect of (*a*) discounting (*b*) non-discounting.

**7.** C. and D. buy on joint a/c. 1000 Mining Shares at 30/- plus exs. £10. C. contributes one-third and D two-thirds of the price, (all moneys passing through a joint Banking A/c.); 600 Shares are sold at 32/6 less exs. £7 5 –, and 310 are sold at 31/- less £5 expenses. They divide the balance of the Shares at cost price, and also any profit or loss, in proportion to their original contributions. Prepare a/c. showing the position at the close of the venture.

**Exercise 105.** (*W.R.C.C. Advanced*, 1901.)

**1.** Prepare P/L. A/c. and B/S. of Western Company, Ltd., Trial Bal., 29th June, 1901. **Stock** :—29th June, Materials £1958 14 11; Finished Goods £1961 18 9. Provide £300 for Dis. on Debts and £180 for Doubtful Debts. Estimated liability on disputed claim for damages £150. Wages owing £120. Rates owing £47 10. Fire Insurance prepaid £26 5. Depreciation :—10% per ann. on Machy., 12½% per ann. on Engine and Boiler; £20 on Horses and Carts. Write off Preliminary Exs. 33⅓% per ann. Appropriation :—Carry 10% of Net Profit to Reserve Fund. Dividends payable :—A Shares 6% per ann. B Shares 10% per ann. Carry forward bal. of profit.

| **Dr. Balances**— | | | |
|---|---|---|---|
| Calls unpaid on B shares | £500 | – | – |
| Freehold Land & Bldgs. (including Engine & Boiler Jan., £500) | 10500 | – | – |
| Machy. bot. 31 Mar., 1901 | 470 | – | – |
| Bankers | 2326 | 5 | 3 |
| Wages | 7520 | 9 | 2 |
| Commission | 1319 | 11 | 1 |
| Repairs to Buildings | 113 | 11 | 4 |
| Rates and Insurance | 192 | 14 | 6 |
| Travellers'&OfficeSalaries | 1426 | – | – |
| Advertising | 325 | 19 | 9 |
| Cash | 25 | 17 | 9 |
| Repairs to Machinery | 73 | 11 | 2 |
| Carriage Inwards | 486 | 14 | 11 |
| Bad Debts | 489 | 1 | 3 |
| Preliminary Expenses | 327 | 8 | 6 |
| Directors' Fees | 210 | – | – |
| Machinery, 1stJan.,1901 | 3000 | – | – |
| Debenture Int., less tax | 133 | – | – |
| Horses & Carts, 1 Jan.01 | 300 | – | – |
| Petty Expenses | 76 | 14 | 9 |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| Horse Keep | £86 | 11 | 2 |
| Discount | 1049 | 1 | 3 |
| Income Tax | 160 | 5 | – |
| Coal and Coke | 1120 | 17 | 3 |
| Bank Charges | 58 | 9 | 1 |
| Travelling Expenses | 758 | 14 | 7 |
| Returns Inwards | 1124 | 16 | 2 |
| Purchases (materials) | 12961 | 11 | 2 |
| Purchases (expenses) | 430 | 17 | 3 |
| Stock,Materials,1stJan. | 3758 | 16 | 9 |
| Finished Goods | 2140 | 15 | 2 |
| Debtors | 10642 | 13 | 3 |
| **Cr. Balances**— | | | |
| Debenture Stock 4% | 7000 | – | – |
| 800£10AShs.fullypaid | 8000 | – | – |
| 1200£15BShs.£10called | 12000 | – | – |
| Trade Creditors (net) | 2611 | 18 | 3 |
| Discount | 476 | 15 | 4 |
| Retns.outwards(mat'ls) | 762 | 9 | 1 |
| Sales | 33246 | 14 | 10 |
| Interest on Calls unpaid | 12 | 10 | – |

**Answer.**—*Gross* £9385 17; *Net* £1362 3 9; *Bal. c/f.* £410 19 5.

**2.** A Manufacturing Firm with ten Branches in different towns, wishes to keep all the books at a Central Office, and to

know the separate results of the trading of each Branch. Give a short description of how the Sales, Purchases and Cash transactions might be dealt with.

**3.** A Limited Co. issues on 1st Jan., 1901, £20000 4½% Debenture Stock at par redeemable at the end of 15 years at a prem. of 5%. Suggest a method by which the prem. £1000 can be provided on 1st Jan., 1916, and explain, generally, without extra calculation, the effect upon the Revenue A/c.

**4.** In a Factory employing 100 hands, the wages (paid by time) are calculated up to Thursday night, and paid each Friday. Give a brief description of the whole procedure.

**5.** Joseph Rodney is the holder of 80 £20 shares out of a total of 1000 in a Limited Co. upon which £10 per share has been called up. He has paid £6 per share. Int. has been charged him at 5% per ann. for 6 mos., but not paid. By resolution of the Directors his shares are forfeited. State Co.'s Journal and Ledger entries giving effect to this.

**6.** Explain :—Mortgage Deb. Stock, Founders' Shares, Share Prem. A/c., Transfer Register, Quotation of Shares, "Ex-dividend."

**7.** Give a short description of any special books required by a merchant who employs for different districts, six travellers, each receiving a commission upon the cash received for goods sold in his district.

**Exercise 106.** (*W.R.C.C. Advanced*, 1902.)

**1.** Prepare P. & L. A/c. and B/S. of Robinson & Co., Ltd., T.B. 31st Dec., 1902. **Stock** 31st Dec., £30841 3 2. The following are not included in the T.B. :—Wages £248 5 9 ; Rates £65 ; Taxes £406. Fire Insurance £40 is prepaid. Charges Depreciation 7½% on Machinery (£993 17 –) ; 6% Fixed Plant ; 10% Horses, Carts, &c. Write off Patents £500. Provide discount 2½% on Good Debts. The Manager is entitled to a Commission of 2½% upon the net profit earned during the year, after adding £2000 to Reserve Fund, and charging Debenture Interest.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Land & Buildings .... | £57000 | – | – |
| Fixed Plant ..... | 4491 | 10 | – |
| Machy. & Loose Tools | 13128 | 5 | – |
| Stock, 1st Jan., 1902 | 34680 | 12 | 6 |
| Debenture Interest paid 30th June (less tax at 1/2) ..... | 800 | 8 | 4 |
| Pref. Dividend paid 30th June ..... | 1177 | 1 | 8 |
| Horses, Carts, &c. .... | 765 | 10 | – |
| Debtors considered "Good" ..... | 42703 | 15 | 2 |
| Debtors considered "Doubtful" ..... | 470 | – | – |
| Bad Debts written off | 1241 | 10 | – |
| Patents & Goodwill .. | 27000 | – | – |
| Bank of England..... | 3519 | 10 | 3 |
| Repairs ..... | 680 | 6 | 8 |
| Rates & Taxes ..... | 1289 | 2 | 5 |
| Insurance ..... | 184 | 7 | 6 |
| Cash ..... | 41 | 8 | 7 |
| Discounts ..... | 1421 | 8 | 3 |

| **Dr. Balances continued—** | | | |
|---|---|---|---|
| Fuel ..... | £2192 | 13 | 9 |
| Agent's Commission .. | 2410 | 8 | 10 |
| Purchases less returns | 19639 | 16 | 9 |
| Wages ..... | 27395 | 4 | 2 |
| Travelling Expenses | 718 | 10 | – |
| Trade Expenses ..... | 1503 | 5 | 6 |
| Returns Inwards .... | 2014 | 2 | 11 |
| Machy. bought 1st July, 1902..... | 246 | 2 | 6 |
| **Cr. Balances—** | | | |
| 4½% First Mort. Deb. Stock ..... | 40000 | – | – |
| 50000 5% Cum. Pref. Shs. £1 ..... | 50000 | – | – |
| 60000 Ordy. Shs. £1 ea. | 60000 | – | – |
| Reserve Fund ..... | 10000 | – | – |
| Discounts ..... | 692 | 17 | 3 |
| Creditors ..... | 6781 | 15 | 6 |
| Sales ..... | 78306 | 14 | 7 |
| Interest ..... | 91 | 4 | 2 |
| P/L. Bal., 1st Jan., 1902 | 842 | 9 | 3 |

**Answer.**—*Total of B/S.* £176869 15. *See next page.*

**Dr. Ex. 106. Profit & Loss A/c.** for the year ended 31st December, 1902. **Cr.**

| | £ s. d. | £ s. d. | £ s. d. | | £ s. d. |
|---|---|---|---|---|---|
| To Fuel | | | 2192 13 9 | By Gross Profit from Trading A/c. | 25169 15 8 |
| ,, Rates and Taxes | | 1760 2 5 | | ,, Discounts Received | 692 17 3 |
| *Less* Income Tax deducted from Debenture Interest to 30th June | 49 11 8 | | | ,, Interest Received | 91 4 2 |
| *Less* Income Tax deducted from Preference Dividend to 30th June | 72 18 4 | 122 10 - | 1637 12 5 | | |
| ,, Trade Expenses | | | 1503 5 6 | | |
| ,, Repairs | | | 680 6 8 | | |
| ,, Insurance | | | 144 7 6 | | |
| ,, Travelling Expenses | | | 718 10 - | | |
| ,, Agent's Commission | | | 2410 8 10 | | |
| ,, Bad Debts written off | | 1241 10 - | | | |
| *Add* amounts considered bad | | 470 - - | 1711 10 - | | |
| ,, Discounts Allowed | | 1421 8 3 | | | |
| *Add* Reserve for Discounts | | 1067 11 10 | 2489 - 1 | | |
| ,, Debenture Interest | | | 1700 - - | | |
| Depreciation :— | | | | | |
| Machinery, 7½% on £13128 5 - for 12 mos. | 984 12 5 | | | | |
| Do. 7½% on £246 2 6 for 6 mos. | 9 4 7 | 993 17 - | | | |
| Plant | | 269 9 10 | | | |
| Horses | | 76 11 - | | | |
| Patents, &c. | | 500 - - | 1839 17 10 | | |
| ,, Net Profit carried down | | | 8026 4 6 | | |
| | | £ | 25953 17 1 | | 25953 17 1 |

**Dr. Appropriation A/c.** **Cr.**

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Interim Dividend on Preference Shares, 30th June, 1902 | 1250 - - | By Net Profit brought down | 8926 4 6 |
| ,, Reserve Fund A/c | 2000 - - | ,, Balance of Profit from 1901 | 842 9 3 |
| ,, Manager 2½% of Net Profit, after deducting £2000 for Reserve Fund | 173 3 1 | | |
| ,, Balance for division | 6345 10 8 | | |
| £ | 9768 13 9 | £ | 9768 13 9 |

**2.** A Trader employs a Cashier, who keeps the Ledgers, &c., and a Collector who visits his customers monthly and receives payment of the previous month's a/cs. What books are necessary in order to show the Trader how much is outstanding and to prevent dispute or error between the Collector and the Cashier ?

**3.** Jones & Co., engineers, sell their business to a new Co. (The Jones Engineering Co., Ltd.) for £220000, viz. :—Freehold Land, Buildings and Fixed Plant £94650 ; Machy., Tools, &c., £28460 ; Stock £11290 ; Work in progress £13560 ; Book Debts £18220 ; Goodwill £53820. The Co.'s Cap. is 5% Pref. Shares £84000 ; Ordy. Shs. £90000, and it issues 4½% Deb. Stock £60000. The Vendors take in payment all the Ordy. Shares, 1/3rd of the Pref. Shs. and 1/3rd of the Debentures ; the bal. of Pref. Shares and Debentures are all issued to applicants and paid for. Give Journal and Ledger entries showing these transactions.

**4.** A Tradesman wishes to keep his a/cs. in a complete form as from 1st July, 1902. At present he has a Book containing particulars of goods sold on credit, and when the customer pays an account the entry in this book is crossed out. No other books are kept. He buys goods on credit, has a Banking A/c., and files his invoices and receipted a/cs. Describe the steps he should take to commence a proper system of Book-keeping on 1st July, 1902.

**5.** On 1st Jan., 1902, an Investor places £10000 on Deposit at his Bankers at 2½%. On 1st Feb. he pays for £4000 North Eastern Ry. Stock at 155, plus exs. £20. On 1st Mar. he receives N.E.R. div. at 6% per ann. for ½ year ending 31st Dec. last, less Tax @ 1/2. On 30th Apr. he pays for £1000 North Staffordshire Ry. Stock at 126, plus exs. £7. On 1st June he receives cash for 2000 N.E.R. Stock, sold at 160, less exs. £9. The divs. for ½ year ending 30th June, 1902, are say N.E. 6½% per ann., North Staffordshire 4%, and income tax is 1/2 in the £. All the cash goes into and out of the deposit a/c. at Bank. Prepare a/cs. showing his Cap. at 30th June, 1902, and the income he has earned, taking Stocks at cost price.

**Answer.**—*Capital* £10153 15 1 ; *Income* £158 6 –.

**6.** Explain in what respect you consider the Trial Balance shows the correctness of the Books, and state any further tests you may be acquainted with. **7.** A Retailer receives consignments of Fruit and other produce for sale at the current price on commission, and he remits the consignors each week in settlement. Give a form of Book suitable for such transactions, and describe the working of the system.

### Exercise 107. (*W.R.C.C. Advanced*, 1903.)

**1.** Prepare Trading, P. & L. A/cs. and B/S. of Grey & Brown, Ltd., Trial Bal. 31st Dec., 1903. **Stock** 31st Dec., 1903,

A Dept. £1028 15 4 ; B £1340 9 5 ; C £1469 7 8. Interest on loan owing ½ year. Reserves Bad Debts £200, and 2½% for Dis. on Drs. (£135 14 5). Allow 5% off total Cost Consignment ; Depreciation on Fixtures 5% ; on Electric Lighting Installation 10%. Managers of A and B Depts. are to receive 3% on gross profit of their respective Depts. Cost of alterations to be spread over 3 years (1903-4-5), 25% of Net Profit (after providing Pref. Div.) to be written off Goodwill (£231 18 –).

| **Dr. Balances**—(see page 568) | | | |
|---|---|---|---|
| Goodwill ..... | £5000 | – | – |
| Fixtures & Furniture .. | 325 | – | – |
| Electric Lighting Inst. | 100 | – | – |
| Stock, 1st Jan.—A Dept. | 1423 | 12 | 8 |
| B Department ..... | 1264 | 17 | 3 |
| C Department ..... | 2580 | 10 | 4 |
| Purchases :—A Dept. | 1892 | 17 | 3 |
| B Dept. | 4524 | 2 | 4 |
| C Dept. | 5431 | 12 | 8 |
| Rent and Rates ..... | 986 | 15 | 3 |
| Bad Debts ..... | 146 | 15 | 9 |
| Discounts allowed .... | 426 | 17 | 2 |
| Subscriptions ..... | 21 | – | – |
| Wages (A Department) | 215 | – | – |
| Carriage outwards .... | 89 | 12 | 9 |
| Salaries ..... | 629 | 8 | 4 |
| Advertising ..... | 246 | 15 | 9 |
| Bank Charges ..... | 45 | 7 | 2 |
| Insurance ..... | 24 | – | – |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| Alteration to premises | £360 | – | – |
| Int. on Loan to 30 June, 03 | 40 | – | – |
| Bank ..... | 450 | 10 | – |
| Half-year's Pref. Div. pd. | 150 | – | – |
| Debtors ..... | 5628 | 12 | 5 |
| Consignment to Durban : | | | |
| Goods bought for ... | 2400 | – | – |
| Expenses thereon ..... | 286 | – | – |
| **Cr. Balances**— | | | |
| 500 6% Pref. Shares .. | 5000 | – | – |
| 700 £10 Ordy. Shares | 7000 | – | – |
| R. Craig Loan at 4% .. | 2000 | – | – |
| Sales :—A Department | 2920 | – | – |
| B Department | 6286 | – | – |
| C Department | 8492 | – | – |
| Discounts received .... | 395 | 12 | 8 |
| Rent of Cottage..... | 8 | 10 | – |
| B/P..... | 844 | 8 | 4 |
| Creditors ..... | 1742 | 16 | 1 |

**Answer.**—*Gross Profit* £4203 19 11 ; *Net* £1227 12 2 ; *B/S.* £17540 11 5.

2. An Ironfounder has on 1st Jan., 1902, 45 Tons of Moulding Boxes which he values at £8 10 – per Ton. In 1902 4 Tons are broken up and credited as Scrap Metal at 45s. per Ton. 9 Tons of New Boxes are made costing £6 15 – per Ton, and at 31st Dec., 1902, he values the Boxes on hand at £8 per Ton. In 1903 similar transactions occur, viz. :—2 Tons 5 Cwts. are broken up at 43s. per Ton, 12 Tons 10 Cwts. new Boxes are made costing £6 5 – per Ton, and at 31st Dec., 1903, the Boxes on hand are valued at £7 13 – per Ton. Prepare a/c. showing loss each year and value on hand.

3. Explain fully the Reserve Fund A/c. of a Limited Co.

4. Draw up the B/S. of a Public Trading Co. (Ltd.), showing what information you consider the Shareholders are entitled to with regard to Profit and Loss. Insert any figures.

5. What is meant by the principle of Double Entry ? What special advantages are afforded by its adoption in Accounts ?

6. Give a description of Register of Members, Register of Debentures, Deferred Shares. How should "Premium on Debenture Stock" and "Forfeited Shares A/c." be dealt with in the Books ?

7. On 31st Dec., 1902, the Trading Co., Ltd.'s B/S. stood as follows :—4% Deb. Stock £50000 ; 15000 £10 6% Pref. Shares £150000 ; 10000 £10 Ordinary Shs. £100000 ; Trade Crs. £72000 ; Bankers (holding 1st Mortgage on Land and Buildings) £33000 ;

*Assets* :—Land and Buildings, £78000 ; Machy. £35000 ; Patents £2000 ; Goodwill £40000 ; Stock £131000 ; Drs. £61000 ; P. & L. Deficit £58000. At 30th June, 1903, the Company is wound up and the Assets realise as follows :—Land and Buildings £64000 ; Machy. £22000 ; Patents Nil ; Goodwill Nil ; Stock £120000 ; Drs. £58500. The Deb. Int. to 30th June, 1903, is payable, also Exs. £10000. £3000 is deducted from Trade Creditors' Claims. Prepare Statement showing the realisation and distribution.

**Answer.**—*Bal. divisible among Preference Shareholders* £101500.

## Exercise 108. (*W.R.C.C. Advanced*, 1904.)

1. Prepare Trading, P. & L. A/cs. and B/S. of the Yorkshire Tweed Company, Ltd. Nominal Capital £10000, divided into 5000 6% Cumulative Preference Shares of £1 each, and 5000 Ordinary Shares of £1 each. T.B., 31st Dec., 1903. **Stock 31*st* *Dec.***, £3699 19s. 7d. Depreciation :—Machinery 7½% per ann. ; Engines, Boilers, and Shafting 10% per ann. ; Cards, Bobbins, Shuttles, Working Utensils, &c., 25% per ann. Additions to be depreciated for half-a-year. Reserve 3% of Debtors' Balances for Dis. and £200 for Bad Debts. Reserve 5% of Creditors' Balances for Dis. Take into account the following :—The Rent of Telephone £10, has been charged on Trade Exs. A/c., and paid for the year ended 30th Sept., 1904 ; Fire Insurance for £8000 at a premium of 10s.%, expires at Midsummer, 1904 ; District Rate for half-year ending 31st March, 1904, is not yet paid or entered in the books—this rate is 2s. in the £ on the rateable value of the mill, £200 ; Pref. Div. paid up to 30th June, 1903 ; Managing Director is entitled to 10% bonus on the net profit for the year (after charging Deb. Interest).

| **Dr. Balances—** | | | |
|---|---|---|---|
| Machy., 1st Jan., 1903 | £4000 | – | – |
| Do. additions during yr. | 200 | – | – |
| Freehold Mill ..... | 3000 | – | – |
| Engines, Boilers & Shafting A/c., 1st Jan .. | 500 | – | – |
| Cards, Bobbins, Shuttles, Working Utensils, 1st Jan. ..... | 900 | – | – |
| Additions during year | 300 | – | – |
| Materials..... | 18469 | 15 | 7 |
| Dyeing & Finishing .. | 1216 | 3 | 6 |
| Carriage ..... | 533 | 1 | 10 |
| Trade Expenses ..... | 195 | 12 | 4 |
| Motive Power ..... | 691 | 7 | 8 |
| Wages :—Mill ..... | 8437 | 16 | 9 |
| Mechanics and Joiners | 142 | 1 | 9 |
| Rates, Gas & Insurance | 203 | 9 | 6 |
| P.&L.A/c., 1st Jan. 1903, | 20 | 11 | 2 |
| Repairs A/c. ..... | 176 | 14 | 2 |
| Deb. Int. to 30th June | 40 | – | – |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| Trading A/c. Stock, 1st January ..... | £3519 | 4 | 6 |
| Dividend..... | 90 | – | – |
| Commission ..... | 519 | 11 | 8 |
| Bank Charges ..... | 32 | 11 | 1 |
| Sales Ledger Balances | 6000 | – | 9 |
| Discount on Sales .... | 511 | 15 | 8 |
| Cash Book Bal., Cash | 32 | 11 | 9 |
| **Cr. Balances—** | | | |
| 3000 Pref. Shs. fully paid | 3000 | – | – |
| 4119 Ordy. Shs. fully paid | 4119 | – | – |
| First Mortgage Debentures 4%..... | 2000 | – | – |
| Sales ..... | 32106 | 14 | 5 |
| Purchase Led. Balances | 4810 | 9 | 10 |
| Bad Debts Reserve .. | 116 | 9 | 3 |
| B/P..... | 2220 | – | – |
| Cash Book Bal., Bank | 988 | 6 | 5 |
| Discount on Purchases | 371 | 9 | 9 |

**Answer.**—*Gross Profit* £3630 11 10 ; *Net* £829 7 6 ; *Manager's Bonus* £82 18 9 ; *Bal. c/f.* £545 17 7 ; *Total of B/S.* £17666 2 1.

2. On 1st Jan., 1900, a Manufacturer buys Plant £1000 ; on 1st July, 1901, he buys New Plant £200 ; and on 31st Dec., he sells for £80 Plant costing 1st Jan., 1900, £150. On 1st April, 1902, he buys New Plant £140 ; and on 1st Oct., 1903, he sells for £35 Plant costing 1st July, 1901, £60. His Plant is depreciated in the books annually at 31st Dec., at the rate of 5% per ann. on the original cost. At 31st Dec., 1904, he wishes to alter this method, for the whole period to 7½% per ann. on the diminishing value. Prepare Machinery A/cs. showing the results of both methods.

3. At 31st Dec., 1903, a set of Books shows a difference in balancing of £10 4s. 8d. (the credits exceeding the debits). This difference is placed in the B/S. as a Suspense A/c. In 1904 the following errors are discovered in the books for 1903 :—August, Sales Day Book overadded £10 ; April, Dis. 2s. 6d. credited to J. Smith in Sales Ledger is not in Cash Book ; May, Jones' A/c. in Sales Ledger is credited 3s. 6d. as "Bad Debt"—no entry in Bad Debt A/c. ; Dec. 31, Debtor Balance, Hall & Co. extracted £3 1s. 2d., should be £3 2s. 1d. ; Credit Balance, Brown & Son, 2s. 3d., not extracted. How should these errors be corrected ? To what extent do they affect the profits of 1903 ?

4. What books do a Limited Co. possess in addition to the ordinary commercial books ? State the purpose of each.

5. Upon which side of the Ledger would you expect to find the Balances of the following A/cs. ? Give your reasons :— Bad Debts, Cash, Goodwill, Reserve Fund.

6. Describe the system of Book-keeping most suitable to one of the following businesses :—(*a*) *Manufacturer*, who pays for his materials by Bill at the end of each month, pays for all items of the nature of expenses by cheque weekly ; occasionally hands over to his creditors a customer's acceptance ; or (*b*) *Retailer*, his Sales are almost entirely for cash ; he pays all his accounts at the end of the following month ; all cash goes through Bank ; he wishes to ascertain in one set of Books the gross results of his trading, separating the goods into three departments.

**Exercise 109.** (*W.R.C.C. Advanced*, 1905.)

1. Prepare Trading, P. & L. A/c. and B/S. of the Euxine Industries, Ltd. T.B. 31st Dec., 1904. **Stock**, Goods £21042 8 1, Materials £943 5 4, Packing Cases £164 3 5 ; Leasehold Property is held for a term of which 11 years are unexpired, at the end of the term the Company's interest in the property ceases ; Machinery and Plant depreciates 6%per ann. ; included in Book Debts is £860 due from Ali Mustafa, estimated to be worth 10s. in the £. Provide 2½% Dis. on good debts, and £50 Dis. on Creditors. £100 is estimated to be owing for legal exs. in suing Ali Mustafa. After 5% has been earned on Share Cap. for the year 1904, the Managers are to receive as bonus 20% (£32 14 8) of the surplus earnings.

| Dr. Balances— | | | |
|---|---|---|---|
| Stock, 1 Jan. :—Goods | £20306 | 4 | 7 |
| Materials | 2418 | 19 | 9 |
| Packing Cases | 257 | 17 | 7 |
| Bank of Asia | 7236 | – | – |
| Wages | 5996 | 12 | 2 |
| Rent of Factory and Warehouse | 817 | 14 | 3 |
| Interest & Discount | 375 | 3 | 6 |
| Deb. Int. pd. to 30 June | 100 | – | – |
| P.&L.bal.31Dec.,1903 | 198 | 16 | 2 |
| Purchases of Materials | 12497 | 10 | 8 |
| Insurance | 431 | 13 | 11 |
| Travelling Expenses | 193 | 16 | 9 |
| Packing Cases bought | 1463 | 13 | 8 |
| Freight, Carriage&Port Charges | 8371 | 19 | – |
| Sundry Debtors | 3425 | 9 | 2 |
| Int.Div.pd.8Aug.,1904 5% per ann. for ½year | 850 | – | – |
| Directors' Fees | 200 | – | – |
| Managers' Salaries | 1189 | 3 | 10 |
| Legal Expenses | 65 | 11 | – |

| Dr. Balances continued— | | | |
|---|---|---|---|
| Machy.&Plant,1stJan. | £7500 | – | – |
| Ditto. bot. 30th June | 300 | – | – |
| LondonOfficeRent&Exs. | 95 | – | – |
| Purchases for re-sale | 749 | 8 | 2 |
| SpecialInsurancepd.1st July for ensuing12mos. | 124 | – | – |
| L'sehold Factory 1 Jan. | 2000 | – | – |
| Ditto structural restoration & alteration this year | 400 | – | – |
| **Cr. Balances—** | | | |
| 8500 £10 shs. £4 per sh. | 34000 | – | – |
| Packing Cases charged to customers | 1248 | 3 | 9 |
| Petty Cashier overpaid | 14 | 14 | 4 |
| Sales of Goods | 35543 | 2 | – |
| Transfer Fees | | 5 | – |
| Compensation recd. for damage to Leasehold Factory | 200 | | |
| Creditors | 1558 | 9 | 1 |
| 4% Debentures | 5000 | – | – |

**Answer.**—*Gross Profit after placing Rent of Factory and Warehouse in Trading A/c.* £6061 2 9.; *Net* £2062 9 4; *Balance c/f.* £130 18 6.

**Note** how Manager's Bonus is arrived at :—

| | | | | | | |
|---|---|---|---|---|---|---|
| *Net Profit* | | | | £2062 | 9 | 4 |
| *Dividend* | £1700 | – | – | | | |
| *Less Dr. Balance b/f.* | 198 | 16 | 2 | 1898 | 16 | 2 |
| | | | | ⅒)163 | 13 | 2 |
| *Manager's Bonus on Profits* | | | | £32 | 14 | 8 |

**Note** that the Leasehold Factory and Sundry Debtors work out in the Balance Sheet as follows :—

| | | | | |
|---|---|---|---|---|
| *Leasehold Factory* | £2000 | | | |
| *Add Extensions* | 400 | —2400 | | |
| *Less Compens'n for Damage* | 200 | —2200 | | |
| *Less* 1/12 *Depreciation* | 183 | 6 | 8 | —£2016 13 4 |
| *Sundry Debtors* | £3425 | 9 | 2 | |
| *Less Doubtful Debts Reserve* | 430 | – | – | —2995 9 2 |
| *Less Reserve for Discount* (@ 2½% on £2565 9 2) | 64 | 2 | 9 | —£2931 6 5 |

2. The position of the Grand Pension Trading Co., Ltd., is : Nominal Cap. £100,000 in £1 shares, 12000 shares issued, and 15s. per share paid up ; Creditors £9000, due to Bankers £7000 (who hold deeds of Freehold as security). **Assets:** Freehold, Cost £6000, Plant £2000, Preliminary Exs. £800, Debtors £3200, Stock £11000, P. & L. debit bal. £2000. On a voluntary winding up, the Bankers sell the Freehold for £5000, and the Stock produces £10300. The Reconstruction Co., Ltd., purchase the

plant and book debts for £4200, and pay £1800 in cash and £2400 in 48000 fully paid shares of one shilling each in the latter Co. Prepare A/c. showing what the shareholders of the G.P.T. Co. will receive, the exs. of liquidation being £500.

**3.** A Firm sells goods of three distinct kinds or classes, A.B.C., the sales entries are in separate Day Books but are to be posted to one Sales Ledger (many customers buy two or three kinds of goods). The A goods are net, B and C are subject to discount of 2½% and 5% respectively, on monthly terms. Prepare a special form of Sales Ledger from which can easily be ascertained how much a customer owes net.

**4.** What checks do you consider advisable (1) To guard against the risk of goods being sent away to a customer without being recorded in the Sales Book; (2) To avoid error in the weekly Wages list of a large business.

**5.** X is in partnership with Y as Merchants. X owns privately £10000 2½% Consols, and has £5000 lying on deposit with the Urban Bank at 3%. To enable his firm to pay promptly for goods and to take full discount, X deposits the Consols with the Bank of England and obtains a loan thereon of £7500 at 3% per ann. He lends this money together with the deposit drawn out of the Urban Bank to his firm for 6 months upon the following terms :—X shall receive 2% per ann. more than he received on his investment (nominal), and he shall receive two-thirds of any surplus accruing to the Firm by discounting after payment of interest. During the 6 months the firm are able to take Discount twice on the whole sum borrowed, viz. :—once at 3¾% and once at 2½%. Prepare the A/cs. showing how much X will receive by this arrangement. Income tax to be ignored.

**6.** In Flower & Co.'s Bad Debt Ledger at 31st March, 1905, there were the following debit balances :—R. Holmes £27 6s. 9d., W. Fellowes, 19s. 6d., H. Wilkinson £3 9s. 5d., all in the hands of a Trade Protection Society for collection. On 1st April Flower & Co. received from this Society cheque for £26 19s. 3d. and the Quarterly Statement as follows :—**Receipts** of Society from R. Holmes £27 16s. 9d., W. Fellowes 10/-, W. Hopton £1. **Payments** of Society in connection with R. Holmes (County Court) 10/-, W. Fellowes (C.C.) 2/-, H. Wilkinson (C.C.) 5/-, Three Debt Fees 3/-, Four Enquiry Fees 4/-, Subscription 21/-, Receipts, Postages, &c., 2/6. W. Hopton's A/c. showed no bal. in Flower & Co.'s Ledger, the bal. having been written off to Bad Debt A/c. 31st Dec., 1904. What entries would you make in Flower & Co.'s Books ?

**Exercise 109a.** (*W.R.C.C. Advanced*, 1906.)

**1.** Prepare Trading, P. & L. A/cs. and B/S. of the Dragon Works, Ltd., T.B. 31st March, 1906. *Stock*, 31st March, 1906, £6404 5 9, and Work in Progress £3571 13s. Owing 31st March,

1906—Carriage A/cs. for Mar., £75 ; Rates, £30 ; Expenses A/c., £20 ; Half-year's Loan Int., less Tax at 1s. ; Half-year's Debenture Int., less Tax at 1s. The Company having paid its Income Tax up to 5th April, 1906, credit the Rates and Taxes A/c. with Tax at 1s. in the £ on Debenture and Loan Int. owing and on Half-year's Pref. Dividend to 31st Mar., 1906. Provide Discount Reserve on Debtors, £300. Write off Depreciation at the following rates % per annum :—Gas and Water Apparatus 5 ; Electric Installation 25 ; Belting 20 ; Patterns 15 ; Patents 10 ; Plant 7½ (but on £600 for ½ year only). The Loose Tools are valued at 31st Mar., 1906, at £1180. Write off one-third of the Preliminary Expenses. The Shares in the Volt & Ampere Co., Ltd., are now worth a premium of 40% and the P. & L. A/c. is to be credited accordingly.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Dragon Works Freehold | £6000 | – | – |
| Gas, Water & Heating Apparatus | 420 | – | – |
| Plant & Machinery, 1st April, 1905 | 3000 | – | – |
| Ditto bought this year | 600 | – | – |
| Electric Power Instal. | 180 | – | – |
| Loose Tools | 1240 | – | – |
| Belting | 160 | – | – |
| Patterns and Drawings | 1160 | – | – |
| Goodwill | 4000 | – | – |
| Stock, 1st April, 1905 | 4809 | 15 | 3 |
| Cash | 26 | 10 | – |
| Patents | 500 | – | – |
| Office Furniture | 80 | – | – |
| Debtors | 9447 | 13 | 4 |
| Investments in the Volt & Ampere Co.,Ltd.,100 £5 Ordy. Shares cost | 600 | – | – |
| Preliminary Exs. A/c. | 450 | – | – |
| Work in Progress, 1st April, 1905 | 3520 | 16 | 10 |
| Bank | 1240 | 4 | 2 |
| Loan Int.to 30Sept.,1905 | 60 | – | – |
| Carriage | 729 | 9 | 1 |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| Rates & Taxes | £186 | 4 | 4 |
| Pref. Div. to 30 Sep., 05 | 300 | – | – |
| Debenture Interest | 180 | – | – |
| Wages | 4258 | 4 | 9 |
| Purchases | 6724 | 8 | 3 |
| Salaries | 972 | 10 | – |
| Advertising | 418 | 5 | 8 |
| Trade Expenses | 702 | 3 | 5 |
| Repairs | 637 | 6 | 2 |
| Travelling Expenses | 426 | 10 | – |
| Discount allowed | 342 | 7 | 1 |
| **Cr. Balances—** | | | |
| Creditors | 962 | 16 | 3 |
| Loan at 6% | 2000 | – | – |
| PreferenceShares,10000 £1 6% Cumulative | 10000 | – | – |
| P.&L.A/c.,1Apl.,1905 | 100 | – | – |
| Ordy. Shares, 20000 £1 Shares, 15s. paid up | 15000 | – | – |
| Discount received | 132 | 5 | – |
| Reserve Fund A/c. | 1000 | – | – |
| Debentures at 4½% | 8000 | – | – |
| Sales | 16052 | 7 | 1 |
| Volt&AmpereCo.,Ltd., Shares, Div. A/c. | 125 | – | – |

**Ans.**—*Gross* £5910 11 8 ; *Net Profit of Business* £775 ; *if Dividend on shares and their increased value is reckoned, then the Net Profit is £1000, but these are more accurately placed in the Appropriation A/c. See B/S. on the next page.*

**2.** A Firm's books (on double entry basis) contain a large number of a/cs., but have not been properly balanced ; it is desired to improve the system. Explain how you would proceed with a view to proving separately the Sales Ledger each month.

**3.** Thomas Short holds 100 £1 Ordinary Shares in a Limited Company, 15s. per share called up, but he has only paid £40. On 1st Feb., 1906, a final call of 5s. per share becomes payable, and in consequence of non-payment T. S. receives notice that on 2nd April his shares will be liable to forfeiture. He fails to pay, and on 1st May the Company's Directors pass a resolution

**Ex. 109a (1).** **BALANCE SHEET of The Dragon Works, Limited, on 31st March, 1906.**

| Capital & Liabilities. | £ | £ | £ s. d. |
|---|---|---|---|
| NOMINAL CAPITAL :— | | | |
| 10000 Cum. Preference Shares of £1 each ..... | | 10000 | - - |
| 20000 Ordinary Shares of £1 each ..... | | 20000 | - - |
| | | £30000 | - - |
| ISSUED & PAID-UP CAPITAL, viz. : | | | |
| 10000 6% Pref. Shares of £1 each ... | | 10000 | |
| 20000 Ordy. Shs. of £1 ea. 15/- pd. up | | 15000 | 25000 - - |
| Mortgage Debentures or Stock 4½%... | | 8000 | |
| *Add* Interest on Debentures ..... | 180 | | |
| *Less* Tax ..... | 9 | 171 | 8171 - - |
| General Reserve Fund A/c. ..... | | | 1000 - - |
| SUNDRY CREDITORS : | | | |
| On Loan @ 6% ..... | | 2000 | |
| *Add* Interest thereon ..... | 60 | | |
| *Less* Tax ..... | 3 | 57 | 2057 - - |
| On Open Accounts ..... | | | 962 16 3 |
| Provision for Outstanding Liabilities : | | | |
| Carriage ..... | | 75 | |
| Rates ..... | | 30 | |
| Expenses ..... | | 20 | |
| Dividend accrued on Pref. Shares, *less* Tax ..... | | 285 | 410 - - |
| PROFIT & LOSS A/c., Cr. Balance brought from last A/c. ..... | 100 | | |
| *Add* Net Profit for the year ..... | 775 | | |
| *Add* Dividends on Investments ..... | 125 | | |
| *Add* Increased Value of Shares ..... | 100 | 1100 | |
| *Less* Dividend on Preference Shares paid and accrued ..... | | 600 | 500 - - |
| | | | £38100 16 3 |

| Assets. | £ | £ s. d. | £ s. d. |
|---|---|---|---|
| Freehold Works ..... | | | 6000 - - |
| Fixed Plant & Machinery..... | 3000 | | |
| *Add* Extensions bot. this year... | 600 | 3600 - - | |
| *Less* 7½% Depreciation ..... | | 247 10 - | 3352 10 - |
| Gas, Water & Heating Apparatus | | 420 - - | |
| *Less* 5% Depreciation ..... | | 21 - - | 399 - - |
| Electric Power Installation ..... | | 180 - - | |
| *Less* 25% Depreciation ..... | | 45 - - | 135 - - |
| Loose Tools ..... | | 1240 - - | |
| *Less* Depreciation ..... | | 60 - - | 1180 - - |
| Belting ..... | | 160 - - | |
| *Less* 20% Depreciation ..... | | 32 - - | 128 - - |
| Patterns & Drawings ..... | | 1160 - - | |
| *Less* 15% Depreciation ..... | | 174 - - | 986 - - |
| Office Furniture ..... | | | 80 - - |
| Patents ..... | | 500 - - | |
| *Less* 10% Depreciation ..... | | 50 - - | 450 - - |
| Preliminary Expenses ..... | | 450 - - | |
| *Less* amount now written off ⅓rd | | 150 - - | 300 - - |
| Goodwill ..... | | | 4000 - - |
| Stock ..... | | 6404 5 9 | |
| Work in Progress ..... | | 3571 13 - | 9975 18 9 |
| Sundry Debtors ..... | | 9447 13 4 | |
| *Less* Reserve for Discount ..... | | 300 - - | 9147 13 4 |
| Investments (valued at 40% prem.) | | | 700 - - |
| Cash at Bank ..... | | 1240 4 2 | |
| Cash at Office ..... | | 26 10 - | 1266 14 2 |
| | | | £38100 16 3 |

forfeiting the shares. Describe all the entries in the Company's books relating to these transactions and suggest the best method of dealing with the sum paid by T.S.

**4.** How should the following items be treated in Accounts ? (a) Premiums received by a Co. on issue of its Debenture Stock. (b) Payment (by Lessee of a Shop) for a new Shop Front. (c) Taking over (in satisfaction of a doubtful debt of £100) a reversionary interest held by the debtor under a Will, expected to realise within the next 10 years £220.

**5.** A has advanced £5000 to B on mortgage of a Leasehold property at 4% interest. The property produces Rents £400 per year (paid quarterly) ; ground rent £20 per ann. is paid out half-yearly, and insurance and repairs cost £30 per ann. B pays the int. to A up to 31st March, 1905, but as he fails to pay the next half-year's int., A takes possession of the property on 1st Feb., 1906, and finds that B has collected all rents and paid all outgoings up to 31st Dec., 1905. Assuming that the Rents and outgoings remain the same, prepare B's A/c. as in A's books up to 31st March, 1907, when the property is sold for £5100 (charging simple interest and ignoring income tax).

**6.** Explain fully the Reserve Fund of a Limited Company, and state how it is dealt with in the Books and B/S.

**7.** On 1st Jan., 1905, " Rates " A/c. has a Cr. balance £25 for Poor Rate owing for 3 months ending 31st Dec., 1904 ; the Books are made up half-yearly, 30th June and 31st Dec. On 1st Feb., £50 is paid for half-year's Rate to 31st March. On 1st May Demand Note £55 is received for half-year's Rate ending 30th Sept., is entered in May Purchases Book, and debited 31st May to " Rates " A/c., the Rate being paid 1st August. On 3rd. Nov., 1905, Demand Rate of £60 is received for half-year's Rate to 31st March, 1906 ; no entry of this is made until payment thereof on 10th January, 1906. Write out the " Rates " A/c., closing it at 30th June, 1905, and 31st Dec., 1905, with correct apportionments. Also write out the " Rates " A/c., assuming that the books are closed at the end of January and July instead of as above.

### Exercise 109b. (*W.R.C.C. Advanced*, 1907.)

**1.** Prepare Trading, P. & L. A/c. and B/S. of Phillips & Thomas, Ltd., on 31st Dec., 1906, when the stock of Goods was £7346 15s. 7d. and of Coal £56. Rates are prepaid £15. Half-year's Rent of House, £10, is due. The Int. on Bank Deposit Receipt has accrued but it is not credited to the Co. in their current banking a/c. A/cs. for Extensions to Premises are owing, £200. Of the debtors £346 is estimated to be Bad. A B/R. in hand £150 is known to be Bad. Depreciation is 1% on Freehold, 10% on Engine and Boiler, 5% on Machinery & Plant, and it is decided to write off one-fourth of the Extensions A/c., and to treat the Models as being worth £200. Sales Ledger

balances include Smith Bros., £300, who are creditors in the Bought Ledger for £250. Reserve 5% Discounts on good debts.

| Dr. Balances— | | | |
|---|---|---|---|
| Goodwill | £5000 | – | – |
| Trade Expenses | 246 | 5 | 4 |
| Freehold Estate (Facty.) 31st Dec., 1905 | 5800 | – | – |
| Models | 150 | – | – |
| Coal & Coke | 768 | 4 | 9 |
| Salaries | 942 | 15 | 3 |
| Additions to Plant during year | 240 | – | – |
| Bad Debts | 189 | 5 | 3 |
| Legal Expenses | 17 | 9 | 5 |
| Petty Cash Book (composed of Goods bought £33 9 2; Repairs £27 18 5; Horsekeep £15 5 7; Travelling £24 15 2; Sundry Exs. £14 3 7; and Balance £4 14 7) | 120 | 6 | 6 |
| Dwelling-house | 400 | – | – |
| Sales Ledger Balances | 6091 | 5 | 4 |
| Purchases | 37960 | 3 | 7 |
| Rates & Taxes | 146 | 5 | 4 |
| Engine and Boiler | 560 | – | – |
| Stock, 31st Dec., 1905 | 8215 | 5 | 4 |
| Travelling Expenses | 218 | 4 | 3 |
| Repairs | 158 | 4 | 11 |
| Discount allowed | 2035 | 4 | 2 |

| Dr. Balances continued— | | | |
|---|---|---|---|
| Pref. Div. to 30 June, 06 | £240 | – | – |
| Insurance | 76 | 9 | 8 |
| Bank, current a/c. | 944 | – | 9 |
| Horses, Carts & Harness | 229 | 10 | – |
| Subs. and Donations | 63 | 4 | 9 |
| Extens. to Prem. (facty.) | 240 | – | |
| Bank Deposit Recpt. dated 30th June, 1906, @ 3% | 500 | – | – |
| Horsekeep and Cartage | 346 | 5 | 7 |
| Machy. & Plant, 31 Dec., 05 | 2164 | – | – |
| Mort. Int. to 30 June, 06 | 80 | – | – |
| Cash | 89 | 6 | 4 |
| Returns & Allowances | 166 | 8 | 4 |
| Wages | 5878 | 2 | 7 |
| Bills Receivable | 985 | 8 | 2 |
| Bank Commission | 52 | 5 | 7 |
| **Cr. Balances—** | | | |
| Rent received (House) ½ year to 30th June, 1906 | 10 | – | – |
| Bank Interest | 24 | 5 | 6 |
| Loan on Mortgage 4% | 4000 | – | – |
| 14000 £1 Ordy. Shares | 14000 | – | – |
| Returns Outwards | 85 | 14 | 9 |
| 8000 £1 6% Pref. Shares | 8000 | – | – |
| Discount received | 842 | 5 | 4 |
| Bought Ledger Balances | 2481 | 10 | 3 |
| Sales | 51870 | 5 | 4 |

**Answer.**—*Gross* £7049 6 8; *Net Profit, including Rent, which is more accurately placed in the Appropriation A/c.* £1434 11 3; *Total B/S.* £29956 1 6.

2. An Engineer's Books give the following figures: for the year 1906, Materials purchased, £17500; Sales, £30000; Wages, £7500; and Expenses, £2000. The Stocks at the beginning of the year were Materials, £6000; Finished Work, £4000; and at the end of the year there were Materials, £5000, and Finished Work, £3000. For the year 1907, the Materials purchased were £14000, Wages, £4800, Expenses, £1200, and Sales, £17000. Stock at the end of 1907 is Materials £7000, and Finished Work £6000. Prepare a Statement showing each year (and also the average of the two years) what are the percentages of Cost of Materials, Wages, Expenses and Profit, on the output.

3. Arthur Beresford borrows £10,000 from the Building Society on 1st Jan., 1907, and repays £800 per annum, by half-yearly instalments in discharge of the Principal and Interest. Calculating Interest half-yearly at 4% per annum. Prepare an a/c. in A.B.'s Ledger, showing the position up to 1st Jan., 1910.

4. A firm's books are made up half-yearly, and many items have been included under the heading of General Trade Expenses. The firm have a quantity of Materials for Repairs,

and also a stock of Catalogues and printed matter. It is desired to know in future what is the separate cost, each half-year, of Horsekeep, Repairs, Advertising, and Office Expenses. Explain in detail how the necessary alteration in the system is to b properly effected.

**5.** Arthur Dent and W. Fenn are partners. The Capital at 30th March, 1907, is Dent £4634 15s., Fenn £3391 11s. In their B/S. is a Freehold property, £1860, which it is agreed that Dent shall take over from the partnership at 1st April, 1907, at the value of £2000. The partners then wish to make their respective Capitals in the business equal, and in order to do this Dent on 1st April pays £100 into the Firm's banking a/c., and also gives to Fenn by cheque on his own (Dent's) Bank for the sum required to make the Capital of the two partners equal. Write out the two partners' a/cs. in the Firm's Ledger showing the transactions.

**6.** Criticise this B/S. of Short Bros., Ltd., 31st Dec., 1906.

| | | | | | |
|---|---|---|---|---|---|
| To Debentures ..... | £1000 | | By Freehold, Machinery and Plant as at 1st Jan. 1903 | £1700 | – |
| „ 50 £10 Preference Shares | 500 | | „ Sales Ledger balance less Bought Ledger balances | 300 | – |
| „ Reserve Fund ..... | 200 | | „ Stock at sale price .... | 300 | – |
| „ Cash ..... | 10 | | „ 5 Shares unpaid..... | 50 | – |
| „ W. Short's Exors. loan.... | 750 | | „ B/R. due 20 Nov., 1905 | 2 | 10 |
| | | | „ W. Short's Exors., Int. paid for 1907 ..... | 17 | 10 |
| | | | „ Profit & Loss A/c. .... | 100 | – |
| | £2460 | | | £2460 | – |

**Exercise 109c.** (*W.R.C.C. Advanced*, 1908.)

**1.** Prepare Trading, P. & L. A/c. and B/S. of Lead & Hall, Ltd. T.B. 31st Dec., 1907. **Stock** 31st Dec., 1907, £3650 9 6. The additions to Plant £386 2 9 consist of Machinery £187 14 3, Shafting £117 1 2, Trade Fixtures £40 9 10, New Horse £40 17 6. Write off Depreciation :—Freehold £50, Machinery 10%, Engine, Boiler and Shafting 12½%, Trade Fixtures 10%, Office Furniture 5%, Horse and Van 20%. The additions during the year to be depreciated for six months. Reserve Discount 2½% on Creditors, 3¾% on good Debtors, and Reserve for Bad Debts £100. Rates and Insurance prepaid £78. During the year the Co. have manufactured Stationery goods £123 9 – for their own use in the office and they have a Stock of £25 on hand at 31st Dec., 1907. The prepaid calls £48 are entitled to interest 5% per annum (owing for 1907). The Manager is to have a Bonus of 5% on the net profit. The Vendor's Shares take one-fourth of any profit earned in excess of 10% on the Ordinary Capital called up.

| Dr. Balances— | | | |
|---|---|---|---|
| Stock, 1st Jan., 1907 | £3644 | 18 | 8 |
| Engine, Boiler & Shafting 1st January, 1907 | 170 | – | – |
| Machinery, 1st Jan., 1907 | 1000 | – | – |
| Office Furniture, 1st Jan. | 30 | – | – |
| Trade Fixtures & Utensils 1st January, 1907 | 360 | – | – |
| Horse & Van, 1 Jan., 1907 | 30 | – | – |
| Directors' Remuneration | 206 | 12 | – |
| Bank Charges | 28 | 6 | – |
| Freehold Factory | 7350 | – | – |
| Interest on Mortgage, &c. | 155 | 15 | 2 |
| Bank | 21 | 13 | – |
| Discount allowed | 257 | 16 | 11 |
| Bad Debts | 12 | 4 | – |
| Wages | 4126 | 7 | 8 |
| Travelling Expenses | 255 | 18 | – |
| Stamps and Parcels Post | 114 | – | – |
| Carriage outwards | 319 | 13 | 11 |
| Trade Expenses | 280 | 11 | 6 |
| Fuel | 40 | 17 | 8 |
| Purchases | 8090 | 11 | 11 |

| Dr. Balances continued— | | | |
|---|---|---|---|
| Rates, Taxes & Insce. | £317 | 1 | 2 |
| Additions to Plant | 326 | 2 | 9 |
| Repairs | 52 | 12 | 2 |
| Horsekeep | 57 | 1 | 5 |
| Commission, Travellers | 279 | 2 | – |
| Debtors | 2569 | 7 | 7 |
| B/R. (Bad : write off) | 5 | – | – |
| Cash | 52 | 7 | 1 |
| **Cr. Balances—** | | | |
| 1164 Ordy. Shs. £7 ea. : £5 10 - per share called up | 6402 | – | – |
| 30 Vendors' Shs. £7 ea. fully paid | 210 | – | – |
| Prepd. on 32 Ordy. Shs. | 48 | – | – |
| Chas. Johnson, Mort. | 3500 | – | – |
| P. & L. A/c., 1 Jan., 07 | 584 | 5 | 6 |
| Reserve Fund A/c. | 2350 | – | – |
| Creditors | 1142 | 5 | 9 |
| Discount received | 314 | 6 | 11 |
| Sales | 15637 | 6 | 7 |
| Cottage Rent | 25 | 15 | 10 |

**Answer.**—*Gross* £3549 6 10 ; *Net* £1082 8 6. *Total B/S.*, £15292 16 7.

2. A Company has a very large number of credit customers ; what suggestions as to Book-keeping can you make with a view to keeping an eye on the doubtful ones ? When preparing the B/S., what steps would you take to ensure as far as possible the debts being shown at a correct value ?

3. A Trader's Warehouse is burnt down, and the following Books, &c., which had not been placed in the safe are destroyed, viz., Bought Ledger, Purchases Book, and Invoice Files. The list of the Balances of the Bought Ledger made up to the end of the previous year and the Stock Sheets at the same date are preserved in the Safe with the usual Books. State in detail how you would proceed to restore sufficient records with a view to (*a*) Insurance claim and (*b*) the current year's Trading A/c. and B/S.

4. Jones & Co., Bradford, have an Agent (W. Rimmer) in Barcelona, who obtains orders for goods, and delivers the goods from a Stock supplied to him by Jones & Co., Rimmer invoices the goods to the customer, and sends monthly Sales Sheet to Jones & Co., the items being charged in pesetas. Rimmer collects the cash and pays it to Jones & Co.'s A/c. at Credit Lyonnais, Barcelona, after deducting his salary and expenses, sending a monthly Cash Sheet to Jones & Co. Jones & Co. wish to include in their Sales Ledger an a/c. for each foreign customer, in sterling. Explain fully how you would deal with these matters.

5. T. Robson, a manufacturer, buys each month £500 worth of Raw Materials from Cook & Co. on the following terms of discount : for prompt cash 5%, cash by the end of the following month 3¼%, cash by the end of the 2nd month following 2½%,

cash by the end of the 3rd month following 1¼%; after that time, net. (For example, materials bought in Jan. are subject to 3¾% if paid for by Feb. 28, and 2½% if paid for by Mar. 31, &c.). Prepare a/cs., extending over six months, showing the result to Robson as regards Int. and Dis., (*a*) If he owes his Bank £5000 at 5% int., on 1st Jan., 1908, and takes full dis. (*b*) If he owes his Bank £5000 at 5% int., on 1st Jan., 1908, and takes no dis. The Int. may be dealt with in months.

**6.** In a set of books there are several Sales Ledgers, each balanced separately every month. The balances at 31st March, extracted from the Ledgers amount to £1210 8 3, the Sold Ledger Summary shows a balance of £1200 8 3. How would you proceed to find the difference, beginning where you think a mistake of this kind would be most likely to occur? Explain how you would search for the error through all the books affected.

### Exercise 109d. (*W.R.C.C., Advanced,* 1909.)

**1.** Prepare Trading, P. & L. A/c. and B/S. of Martin Hanson & Co., Ltd., T.B., 31st Dec., 1908. **Stock, 31st Dec., 1908,** Goods £8605 18 9., Horsekeep £25. Dividend accrued due on investments £150. Depreciation: Fixed Plant 5%, Loose Tools 7½%, Patterns 10%, Horses & Carts 20%, Furniture 5%. Half Depreciation to be charged on additions during year. Reserve £600 for Bad Debts and £667 for Discounts on Debts due. If there is any surplus Profit for the year after paying Debenture Interest and Loan Interest, Pref. Dividend and 5% Ordy. Dividend, place 25% of such surplus to a special Reserve A/c.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Freehold | £23500 | – | – |
| Fixed Plant | 4400 | – | – |
| Loose Tools, &c. | 2750 | – | – |
| Furniture | 200 | – | – |
| Horses, Carts, &c. | 250 | – | – |
| Patterns and Models | 3200 | – | – |
| Goodwill | 53293 | – | – |
| Deb. Int. pd. 31/12/08 | 877 | 10 | – |
| Pref. Div. pd. 31/12/08 | 675 | – | – |
| Loan Int. pd. 31/12/08 | 263 | 2 | 10 |
| Directors' Fees | 250 | – | – |
| Bank Commission | 26 | 18 | 3 |
| Subscriptions | 29 | 14 | 6 |
| Debenture Trustees' Fees | 26 | 5 | – |
| Bank | 6593 | 10 | 10 |
| Investments | 707 | – | – |
| Stock, 31st Dec., 1907 | 8302 | 6 | 2 |
| Purchases | 17315 | 10 | 7 |
| Discount allowed | 1390 | 13 | 11 |
| Wages | 18658 | 11 | 7 |
| Coal | 1890 | 19 | 1 |
| Insurance | 168 | 1 | 2 |
| Loans to Workmen | 5 | 12 | 2 |
| Horsekeep | 735 | 3 | 4 |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| New Plant (Loose) | £385 | 17 | 9 |
| New Buildings | 81 | 9 | 9 |
| New Patterns | 525 | 5 | 10 |
| Repairs | 1594 | – | 5 |
| Trade Expenses | 635 | 7 | 2 |
| Salaries | 1307 | 1 | 6 |
| Debtors | 11612 | 8 | 5 |
| Cash | 99 | 16 | 8 |
| New Electric Light Instal. (to be spread over 3yrs.) | 300 | – | – |
| **Cr. Balances—** | | | |
| Pref. Shs.: 13500 £1 5% | 13500 | – | – |
| Ordy. Shs.: 58000 £1 | 58000 | – | – |
| Debenture Stock 4½% | 19500 | – | – |
| Bank Interest | 179 | 17 | 6 |
| Loans | 5530 | – | – |
| Reserve Fund | 6100 | – | – |
| P. & L. A/c. 31 Dec., 07 | 6493 | 8 | 6 |
| Discount received | 221 | 11 | 3 |
| Returns outwards | 51 | 10 | 11 |
| Sales | 48701 | 17 | 2 |
| Bad Debts A/c. | 408 | 1 | 9 |
| Creditors | 3363 | 19 | 10 |

**Answer.**—*Gross Profit* £13082 18 6; *Net* £2658 12 1; *Total of B/S.* £114471 – 5.

2. X, Y and Z are partners. Their respective Caps. in the business as shown by their B/S. on 31st Dec., 1908, are X £3000, Y £2200, Z £800. The profit for the year amounting to £1600 has been credited to X ½ share, Y and Z ¼ share each, and the books have been closed. During 1908 they have withdrawn nothing beyond their salaries which have already been charged to P. & L. A/c. It is found on 31st Mar., 1909, that Int. on the Partners' Cap. (5% per ann.) as provided by the partnership agreement has been omitted. Give the entries you would make in the books to correct this error.

3. A Manufacturer's Books show the following figures for each item for the two years 1907 and 1908; Materials used £22389 and £21427, Wages £7495 and £7577, Rent and Power £1659 and £1655, Carriage £513 and £494, Trade Expenses £303 and £309, Gas and Water £213 and £240, Travellers £719 and £763, Repairs £426 and £563, Insurance £78 and £78, Depreciation £600 and £580. Goods produced (Net) £36468 and £36261. Prepare a statement showing for each year the various Costs per cent. on production.

4. A Limited Company's B/S. contains (amongst others) the following items :—*Assets* : Closed Works (cost £5000, now worth £1000) £4500; P. & L. A/c. bal. £2780; Goodwill £1500. *Liabilities* : Forfeited Shares A/c. £100; Reserve Fund A/c. £7680. What would you suggest with regard to these items ?

5. Lead & Hall, Ltd., have a Share Cap. of 1164 £7 shares £5 10s. per share called up. A. V. Rawle has 1100 shares £5 10s. per share paid up. C. B. Rooke has 64 shares, of which 32 are fully paid up (*i.e.*, £7 per share). The Reserve Fund A/c. is £2350. The Directors call up the final £1 10s. per share, and at the same time distribute a Bonus (out of Reserve) of £1 10s. per share. Write up the entries which you would make in the Books to give effect to the foregoing. Assuming that 12½% Dividend has been previously paid, and the available Profit is the same now, how will the rate of Dividend be affected by this alteration in Cap. ?

6. "The Reserve Fund of a Co. should be invested outside the Co.'s business." This statement is frequently made; state your reasons for agreeing or disagreeing with it.

**Exercise 109e.** (*W.R.C.C., Advanced*, 1910.)

1. Prepare Trading A/c. of J. C. Mildred & W. F. Merryweather, equal partners, showing the Gross Profit; the profit before charging Partners' Interest on Capital; and the Net Profit. Show B/S. on 31st Dec., 1909, and prepare the Partners' Cap. A/cs. for the half-year. **Stock** of Materials 31st Dec., 1909, £7032 11 9. Interest on Cap. at 5% per ann., but no Interest on Drawings. R. A. Merryweather is Factory Manager and is entitled to a bonus of 15% of the profit after allowing for all Interest. He is also entitled to Interest at 5% per ann. on the amount of his Bonus left in the business. Land & Buildings A/c., Depreciation 1% per annum. Machinery, Plant & Utensils A/c. includes additions this half-year £179 8 2, write off

Depreciation 10% per ann. on balance at 1st July, 1909. Office Furniture A/c. has been regularly depreciated each half-year at 10% per ann. This half-year it has also been reduced on 30th Sept. by the sale of a Typewriter for £5, which was purchased on 30th June, 1908, for £25 ; include the loss on this transaction with this half-year's depreciation. Interest on Mortgage owing from 1st October, 1909 (ignore Income Tax), W. F. Merryweather requires £100 transferring from his A/c. to the credit of R. A. Merryweather as a present at Xmas, 1909. Wages include £12 13 6 paid to an injured workman and recoverable from the Insurance Co. Rates owing £75. Insurance prepaid £30. Discount allowed should be shown in Trading A/c. as a deduction from Sales. Reserve 6¼% of the Debtors. Gas and Water. The note from the Corporation received 2nd Feb., 1910, shows the gas for the half-year ending 31st Dec., 1909, is £132 11 8, water for half-year ending 30th June, 1910 (payable in advance), is £33 6 8. The Corporation allow 5% discount on this note. J. C. Mildred should be charged 10/- per week for the half-year for use of Stabling belonging to the business. Bad Debts A/c., Reserve £200. Discount received should be shown in Trading A/c. as a deduction from Materials purchased ; Reserve 2½% of Creditors.

| **Dr. Balances—** | | | | **Dr. Balances** continued— | | | |
|---|---|---|---|---|---|---|---|
| Land & Bldgs., 1/7/09 | £6300 | – | – | Returns Inwards .... | £143 | 5 | 7 |
| Machy.,Plant&Utensils | 6250 | 8 | 2 | Trade Expenses ..... | 179 | 10 | 5 |
| Office Furniture..... | 130 | – | – | Stock of Matls., 1/7/09 | 3611 | 17 | 6 |
| J.C.Mildred,Drawg.A/c. | 378 | 4 | 10 | Debtors ..... | 2700 | 2 | 11 |
| W. F. Merryweather, Drawing A/c. ..... | 229 | 3 | 1 | Petty Cash Balances.. | 5 | – | 1 |
| R. A. Merryweather, Drawing A/c. ..... | 141 | 6 | 7 | Interest A/c. ..... | 40 | – | – |
| Materials Purchased | 14187 | 14 | 9 | **Cr. Balances—** | | | |
| Wages ..... | 4544 | 6 | 8 | J.C.Mildred,Cap.,1/7/09 | 8653 | 14 | 8 |
| Office Salaries ..... | 189 | 11 | 3 | W. F. Merryweather, Cap., 1/7/09 ..... | 5610 | 3 | 7 |
| Travellers' Salaries .. | 432 | 9 | 6 | ExecutorsofHy.Watson, Mortgage 4% ..... | 4000 | – | – |
| Rates & Insurance... | 121 | 15 | 10 | R. A. Merryweather, Bonus A/c., 1/7/09 | 329 | 10 | – |
| Discount allowed..... | 1064 | 14 | 2 | Sales ..... | 20465 | 7 | 11 |
| Repairs & Renewals of Machy. ..... | 248 | 3 | 1 | Rent of Stabling let off | 41 | 2 | 9 |
| Royalty (on manufacturing process) ..... | 149 | 1 | 2 | Bad Debt A/c. ..... | 138 | 9 | 1 |
| Gas & Water A/c. ... | 35 | 13 | 7 | Discounts received ... | 387 | 6 | 8 |
| Travellers' Commission | 123 | 4 | 2 | Creditors ..... | 1250 | 10 | – |
| Travelling Expenses | 269 | 13 | 1 | Bank ..... | 328 | 16 | 3 |
| Bank Charges ..... | 68 | 9 | 3 | Bills Payable ..... | 338 | 14 | 9 |

**Answer.**—*Gross* £4072 – 1 ; *Manager's Bonus on* £1422 6 2, £213 6 11 ; *Net*, £1208 19 3 ; *Total B/S.* £21746 11 6.

2. Referring to the previous question state what percentage the following items in the Trading A/c. bear to the net Sales :— Materials consumed (including Royalty) ; Wages ; Gross Profit ; Net Expenses before charging Partners' Interest ; Net Profits (after Bonus).

3. Explain what is meant by : Nominal Capital ; Subscribed Capital ; Called-up Capital ; Paid-up Capital.

4. A Limited Company has issued £40000 4½% First Mortgage Debenture Stock, Interest payable 31st March, and 30th Sept-

ember. Being in possession of surplus funds, it purchases £1000 of this Debenture Stock at 95% on 1st July, 1910. The Company's year ends 30th Sept. State fully how this transaction should be dealt with in the books, and also in the B/S. at 30th Sept., 1910.

5. A Retail Trader has 4 Shops (A, B, C, and D). His total figures for the year are Sales A £4000, B £3600, C £3800, D £2000. The Stock at the beginning of the year is £5500, and at the end £5300. The purchases are £9800. The expenses not kept separately for each shop are Printing, Stationery, and Advertising £48, Trade Expenses £210.

The Rent and Rates are A £150, B £110, C £180, D £115, and the Wages are A £218, B £194, C £234, D £180. On the basis that each Shop earns the same rate of gross profit, prepare a statement showing the net profit at each Shop, dividing the expenses in proportion to the business done.

### Exercise 109f. (*W.R.C.C., Advanced*, 1911.)

1. Prepare B/S. and Trading A/c. for the year ending 31st Mar.. 1911, of The "Weekly Banner," Ltd. Wages owing, £95 16s. 4d. 3 mos. int. less Tax @ 1s. 2d. in the £ due on Consols. **Stocks** at 31st Mar. :—Paper, Ink, etc., £324 10s. ; Fuel £3 10s. Telephone £25 is prepaid. Reserve £150 for estimated costs in Libel action. Reserve £50 for Bad Debts. Depreciation on Plant 7½% per ann. ; on Furniture 5% per ann. Provide 10% for allowances on Advertisers' debts. Write down Consols to 79½%. Provide Manager's commission 5% on year's profits before crediting any int. or charging loss on investments.

| **Dr. Balances—** | | | | **Dr. Balances** continued— | | | |
|---|---|---|---|---|---|---|---|
| Cash in hand ..... | £53 | 5 | 5 | Postages & Telegrams . | £187 | 12 | 2 |
| Agents' Returns ..... | 359 | 2 | 4 | Travelling Expenses.. | 195 | 16 | 10 |
| Copyright ..... | 2000 | – | – | Agents' Debit Balances | 579 | 1 | 5 |
| Machinery & Plant, 31st Mar., 1910 ..... | 9000 | – | – | Subscribers' do. | 38 | 4 | 4 |
| Freehold Property .... | 4000 | – | – | Advertisers' do. | 2758 | 12 | 5 |
| Office Furniture..... | 120 | – | – | 10£1shs."YellowPress Co., Ltd." no value | 2 | – | – |
| Bank ..... | 3630 | 8 | – | **Cr. Balances—** | | | |
| £7000 Cons., 2½% at cost | 5869 | – | 4 | Cash Sales (newspapers) | 642 | 6 | 2 |
| Discount allowed..... | 103 | 11 | 1 | Agents' Sales ....—. | 4397 | 13 | 3 |
| Paper, Ink, etc., A/c... | 2960 | 13 | 8 | Advertisementscharged | 6869 | 18 | 7 |
| Trade Expenses ..... | 170 | 6 | 10 | Sundry Printing Sales | 12 | 15 | 3 |
| Wages ..... | 4845 | 13 | – | Advertisers'prepaymts., unexhausted..... | 37 | 9 | – |
| Bad Debts ..... | 90 | 17 | 6 | Revenue Surplus, 31st Mar., 1910 ..... | 1530 | 7 | 1 |
| Adverts. in other papers | 76 | 7 | 4 | Reserve Fund A/c. .... | 400 | – | – |
| Fuel, etc. ..... | 157 | 2 | 4 | Discount received ... | 379 | 4 | 3 |
| Repairs ..... | 206 | 16 | 5 | Int.onCons.(9mos.recd.) | 123 | 11 | 11 |
| Rent of Branches, Rates & Taxes ..... | 129 | 8 | 8 | Share Cap. 4660 £10shs. £5 called up ..... | 23300 | – | – |
| Correspondence fees ... | 368 | 2 | 4 | Bank Interest ..... | 125 | 6 | – |
| Printing & Stationery | 108 | 15 | 6 | Creditors ..... | 850 | – | 10 |
| New Plant bot.1Oct.,'10 | 400 | – | – | Sales to Subscribers .. | 84 | 1 | 7 |
| Telephone ..... | 78 | 8 | 11 | Cr.BalancesSubscribers' | 10 | 19 | 8 |
| Billposting & Carriage | 225 | 16 | 9 | | | | |
| Insurance ..... | 48 | 10 | – | | | | |

**Answer.**—*Net Profit*, £1084 7 2 ; *Bal. for Distribution*, £2614 14 3 ; *Total of B/S.*, £27516 18 3.

2. For the year 1910 a Trading A/c. stands thus :—Cost of Materials, £5000 ; Wages, £3000 ; Discount allowed, £500 ; Expenses, £1500 ; Sales, £10000. State the above costs as percentages on Turnover. As this leaves no profit, the Trader considers how he can improve matters, and finding that he cannot advance his selling prices he will aim at increasing the Turnover by £2000, and reducing the percentage costs on Turnover by :—Materials 2, Wages 1, Discount 2 ; the expenses remain at the same amount. Show his Trading A/c. for 1911 on the basis of these alterations.

**Answer.**—

| TURNOVER (Sales) = | £10000 | | Percentage of Turnover. |
|---|---|---|---|
| Cost of Materials ..... | 5000 | = | 50% |
| Wages ..... | 3000 | = | 30% |
| Discount ..... | 500 | = | 5% |
| Expenses ..... | 1500 | = | 15% |
| | £10000 | = | 100% |

Dr. TRADING ACCOUNT FOR 1911. Cr.

| | | | | |
|---|---|---|---|---|
| Cost of Materials ...(48%) | £5760 | Sales ..... | | £12000 |
| Wages .....(29%) | 3480 | | | |
| Discount .....( 3%) | 360 | | | |
| Expenses .....(15%) | 1800 | | | |
| Profit.....( 5%) | 600 | | | |
| | £12000 | | | £12000 |

3. Explain what is meant by "Capital Expenditure," and state the considerations which would guide you in deciding whether a particular item of expenditure properly comes within this category or not.

4. A business has 10 Sales Ledgers marked respectively A, B, C, etc. The Sales Day Book has analysis columns corresponding to the Ledgers. Each Ledger is balanced separately each month. On 20th Jan. a Sale of £10 posted to F Ledger is placed in Day Book in G column by mistake. Say how the January monthly summaries of F. and G. Ledgers are affected, and how the balances shown by the summaries will compare with the balances as extracted from the Ledgers.

5. The Rajputana Syndicate, Ltd., at 31st Dec., 1910, stood as follows :—*Credit Balances* : 10000 £1 6% Cumulative Pref. Shares, £10000 ; 1500 £1 Ordinary Shares, £1500 ; 4% Debentures, £3000 ; Creditors, £1300 ; Bank, £450. *Debit Balances* : Expenditure on Patents, £8500 ; Cash in hand, £25 ; Loss on Trading, £6220 ; Stock of Materials, £325 ; Sundry Debtors, £180 ; W. Barwick Loan at 5% per ann., £1000. The Pref. dividend is at above date 5 years in arrear. There are no transactions until 30th June, 1911 ; on this date the Co. is supposed to be wound up. The amounts then realised are : Patents, £20000 ; Stock, £180 ; Sundry Debtors, £120. The expenses of winding-

up are £800. The Pref. Shares are only entitled to repayment in full with arrears. Prepare Statement showing the distribution of the assets. Ignore Income Tax. W. Barwick holds £500 Debentures, 1000 Pref. Shares, and 500 Ordinary Shares. Prepare Statement showing what is due to him.

**6.** A Hotel proprietor makes the following arrangement with the Imperial Telephone Co. On 1st Jan. he pays £10 for 12 months' rent in advance, and £10 8s. 4d. for 5000 calls. His customers can only use the service by paying a penny into a box; this money belongs to the Hotel proprietor. The total calls used are Jan. 480, Feb. 540, Mar. 600. The bills for Trunk fees (payable by Hotel) are Jan. 9s. 6d., Feb. 8s. 3d., March 11s. 6d. The sums collected from the box are Jan. £1, Feb. £1 5s., March £1 10s. Prepare A/c. showing the cost of the Telephone for each of these 3 months.

### Exercise 109g. (*W.R.C.C., Advanced,* 1912.)

**1.** The United Kingdom Trading Co., Ltd., has Branches at Dundee and Dover with Head Office at York. No trading is done at the Head Office. The Branches each keep a separate set of books which contain a complete record of their trading. The Capital A/cs. and Bank A/c. are kept in another set of books at Head Office, the Branches being supplied with working capital from Head Office. From the T/B. supplied by the Branches, and the T/B. of the Head Office books, prepare a Trading A/c., showing the trading result of each Branch, also a general P. & L. A/c. for the year ended 31st Mar., 1912, and the B/S. of the Co.

**Northern Branch T/B., 31st March, 1912.**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Dr. Balances—** | | | | **Dr. Balances** continued— | | | |
| Stock, 1st Apr., 1911 | £2879 | 2 | 3 | Discount A/c. | £67 | 15 | 10 |
| Purchases | 8368 | 4 | 5 | Returns & Allowances | 100 | 10 | 5 |
| Trade Expenses | 754 | 10 | – | **Cr. Balances—** | | | |
| Wages | 3370 | 13 | 4 | Head Office A/c. (Amt. due for Working Cap.) | 2663 | 5 | 4 |
| Salaries | 290 | – | – | Sales | 15872 | 13 | 6 |
| Rates, Rent & Taxes | 455 | – | – | Creditors | 1533 | 17 | 11 |
| Debtors | 3784 | – | 6 | | | | |

Reserve for Bad and Doubtful Debts £250; Res. for Discount 2½% on Debtors; Wages owing £125; Stock, 31st Mar., 1912, £2960 17s. 9d.; Credit Southern Branch 2½% allowance on £1850; Depreciation of Plant 7½% on £3500 to be charged in Branch Trading A/c.

**Southern Branch T/B., 31st March, 1912.**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Dr. Balances—** | | | | **Cr. Balances—** | | | |
| Stock, 1st Apr., 1911 | £1397 | 14 | 6 | Head Office A/c. (Amt. due for Working Cap.) | £2151 | 8 | 9 |
| Purchases | 3512 | 18 | 9 | Sales | 8806 | 12 | 2 |
| Trade Expenses | 474 | 2 | 8 | Creditors | 662 | 4 | 9 |
| Wages | 2860 | 1 | 7 | Discount A/c. | 34 | 2 | 6 |
| Rent, Rates & Taxes | 274 | 3 | 6 | | | | |
| Debtors | 2960 | 7 | 2 | | | | |
| Salaries | 175 | – | – | | | | |

Res. for Dis. 2½% on Debtors; Res. for Bad Debts £125; Expenses owing £75; Stock, 31st Mar., 1912, £1564 10s. 2d.; Debit Northern Branch 2½% allowance on £1850; Depreciation of Plant, 7½% on £2500 to be charged in Branch Trading A/c.

**Head Office T/B., 31st March, 1912.**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Dr. Balances—** | | | | **Dr. Balances** continued— | | |
| Calls in Arrear ..... | £245 | – | – | Rent, Rates, Taxes & Insurance ..... | £249 | 10 – |
| Plant & Machinery— | | | | Northern Branch A/c. | 2663 | 5 4 |
| Northern Branch.... | 3500 | – | – | Southern Branch A/c. | 2151 | 8 9 |
| Southern Branch ... | 2500 | – | – | Deb. Int. pd. to 30/9/11 | 112 | 10 – |
| Goodwill— | | | | Bank Charges ..... | 56 | 5 – |
| Northern Branch.... | 3000 | – | – | **Cr. Balances—** | | |
| Southern Branch ... | 2500 | – | – | Share Cap., 13000 Shs. of £1 each ..... | 13000 | – – |
| Bank ..... | 2661 | 11 | 9 | 4½% Debenture Stock | 5000 | – – |
| Exs. (Head Office) .... | 460 | 9 | 2 | Reserve Fund A/c. .... | 4000 | – – |
| £3000 2½% Consols at 80% (Res. Fund) ... | 2400 | – | – | Profit & Loss A/c. ... | 500 | – – |

Expenses owing £55; Int. due on Consols, 3 mos. less Tax @ 1/2; Directors' Fees owing £750; Prepaid Rates £32.

**Answer.**—*Profit on N.B.* £1775 13 –; *S.B.* £1299 1 2; *Net Profit* £1328 3 1; *Total of B/S.* £26896 15 9.

**2.** Referring to question 1, give the closing Journal entries required in (*a*) Northern Branch Books, and (*b*) Head Office Books. The Branch profits are transferred to Head Office. The amount due from Northern Branch to Southern Branch should be transferred to Head Office.

**3.** Referring to Questions 1 and 2, show the following A/cs. as they would appear after adjusting and closing (*a*) Head Office A/c. in the Northern Branch Books, (*b*) Northern Branch A/c. in the Head Office Books.

**4.** A Limited Co. has a Share Cap. of £75,000 divided into 75,000 Shares of £1 each, fully paid. The Net Profit for the year ended 31st Mar., 1912, is £14060, and a balance of £1650 is b/f. from last year's P. & L. A/c. During the year an Interim Div. of 5% on Share Cap., amounting to £3750, has been paid but no Income Tax deducted. At the Meeting on 30th Apr. the Co. resolve to transfer £2500 to Reserve Fund A/c., to declare a dividend of 15% for the year (Income Tax to be deducted); the Div. to be paid on 6th May, less Interim Div. and Tax for year. The balance of P. & L. A/c. to be c/f. Rule a Dividend List showing the total amount payable to Shareholders (Tax @ 1/2), make the Journal entries required and prepare Appropriation A/c.

**5.** Jas. Bradford invoices goods to Jules et Cie, Paris, Mar. 1, £10; Mar. 12, £25; Mar. 18, £17; and charges them at the rate of 25.20 Francs = £1. On March 27, Jules et Cie remit draft for the total in francs, and Bradford's Bank credit him with this at the rate of 25.25. Write up the A/c. of Jules et Cie in Bradford's Ledger, showing both francs and sterling.

**6.** On 1st Jan., 1912, X.Y. purchases £1000 Western Co.'s 6% Debenture Stock @ 103%, plus £10 stamp and commission. The Stock is repayable at par on 31st Dec., 1914. Int. is paid annually on 31st Dec.,free of tax. X. Y. wishes to cover, out of the Int., the loss on repayment of principal, but giving Income the same sum annually. He deposits a portion of the Int. when received in a Bank on deposit at 2½%. Prepare a/cs. from 1st Jan., 1912, to 31st Dec., 1914, including Investment A/c., Cash A/c., Int. A/c. and Bank Deposit A/c. The Stock is repaid by the Company at par 31st Dec., 1914.

**7.** When making the Balance Sheet of a business with a large number of customers, state the methods which you would adopt to ascertain the net value of the Book Debts. Suggest any Book-keeping arrangement which you consider advisable to facilitate this valuation.

### Exercise 110.

Prepare Net Revenue A/c., Appropriation A/c., and B/S. of Messrs. Evans & Owen, Ltd., Drapers, as on the 20th Feb., 1908. Please note that the balance of the Pref. Shares was issued during the current year, and that the dividend stated below is the sum actually paid. The debentures were repaid during the year.

| | | | |
|---|---|---|---|
| Paid Interest on debentures, deposits, etc. ..... | £737 | 15 | 8 |
| Reserve Fund ..... | 10632 | – | 10 |
| Interim dividends paid for the half-year to 20th Aug. | | | |
| 1907—At the rate of 5% on the preference shares | 550 | – | – |
| At the rate of 7½% on the ordinary shares | 1800 | – | – |
| Goodwill at £20000, Horses & Vans ..... | 158 | 7 | 8 |
| Sundry Creditors ..... | 2528 | 10 | 11 |
| Depreciation written off fixtures & fittings ..... | 337 | – | – |
| Share Cap. £100,000 issued 8000 £5 5% pref. shares | 40000 | – | – |
| 12,000 £5 ordinary shares, £4 paid ..... | 48000 | – | – |
| Gross Profit from Trading A/c. after charging £500 for Reserve on Book Debts ..... | 8460 | 4 | 1 |
| Dividends declared for the half-year to 20 Feb.,1908— | | | |
| At the rate of 5% on preference shares ..... | 861 | 7 | 4 |
| At the rate of 7½% and a bonus at the rate of 2½% on the ordinary shares..... | 2400 | – | – |
| Res. for the equalisation of dividends out of profits | 500 | – | – |
| Directors' & auditors' fees & secretary's salary paid | 420 | – | – |
| Rents received £53 10 ; Cash in Bank and on hand | 7248 | 6 | 9 |
| Fixtures and Fittings, per last account ..... | 6529 | 12 | 10 |
| Added this year ..... | 210 | 7 | 1 |
| Stock of goods and book debts ..... | 30666 | 18 | – |
| Addition to reserve out of this year's profits ..... | 500 | – | – |
| Shop Assistants' deposits and interest thereon ... | 1083 | 18 | 10 |
| Transfer and registration fees received ..... | 5 | 1 | 6 |
| Leasehold and freehold premises ..... | 42941 | 18 | 2 |
| Directors' fees, one-sixth of balance, after providing for dividends in accordance with the articles.. | 335 | 8 | 9 |

**Answer.**—*Net Profit*, £7023 19 11 ; *Balance c/f.*, £77 3 10.

## Exercise 111.

Prepare P/L. A/c., Appropriation A/c., and B/S. of Messrs. Jones & Higgins, Ltd., for the year ending 20th February, 1908.

| | | | |
|---|---|---|---|
| Interest on Debentures (£1657 is unpaid) ..... | £5400 | – | – |
| Cash at Bankers and in hand£6613 16 6; on Deposit | 25000 | – | – |
| Appropriate further dividend of 7% for half-year | 4550 | – | – |
| Directors' and Manager's share of profits ..... | 3250 | – | – |
| Trade Creditors for Goods £114 11 3 ; Inc. Tax pd. | 240 | 13 | 7 |
| Freehold and Leasehold premises and goodwill .. | 161733 | 4 | 4 |
| Fixtures, fittings, furniture, plant,horses and carts | 36485 | 6 | – |
| Sundry creditors £3531 14 10 ; Deb. Stock (4½%) | 120000 | – | – |
| Transfer fees received £62 19 6 ; Directors' fees.. | 1250 | – | – |
| Book Debts £2495 6 –, Investments ..... | 16086 | 2 | 1 |
| Interim Dividend on ordy. shares, paid Oct. 1907 | 4550 | – | – |
| Reserve account (General) ..... | 4199 | 15 | 9 |
| Res. A/c. (for profits earned prior to incorporation) | 3629 | – | 10 |
| Reserve A/c. for debenture premium ..... | 6000 | – | – |
| Gross Profit from Trading A/c. ..... | 29234 | 19 | 5 |
| Fire insurance, etc., paid in advance (B/S. only) | 1287 | 8 | 9 |
| Bal. from P. & L. A/c. 1907, £1300 ; Stock at cost | 38588 | 4 | 4 |
| 130,000 Ordinary Shares £1 each, fully paid .... | 130000 | – | – |
| Place to Debenture Prem. Reserve out of profits. | 2240 | 14 | 6 |
| Place to General Reserve A/c. out of profits .... | 3250 | – | – |
| Ordinary Shares take bonus at 6d. per share .... | 3250 | – | – |

**Answer.**—*Net Profit*, £22407 5 4 ; *Balance c/f.* £2616 10 10. *Total of B/S.* £288289 8 –.

## Exercise 112.

Prepare P/L. A/c., Appropriation of Profit A/c. and B/S. of D. H. Evans & Co., Ltd., for the year ending 19th Feb., 1908.

| | | | |
|---|---|---|---|
| General expenditure including directors', trustees', and auditors' fees £48800 4 5. Reserve Fund | £3696 | 17 | 7 |
| Repairs, renewals, and depreciation of fixtures, &c. | 3488 | – | 6 |
| Property leases and goodwill, including purchase & outlay on new premises, as per last account .. | 268862 | 14 | 1 |
| Additional outlay for year ..... | 3190 | 11 | 3 |
| Fixtures,fittings & electric plant,after depreciation | 35845 | 19 | 1 |
| Cash in hand and at bankers ..... | 21752 | 18 | 11 |
| Cap.—Authorised £282,000 ; Issued Ordy. Shares | 120000 | – | – |
| Preference shares paid up ..... | 80000 | – | – |
| Preference shares 10/- called up ..... | 40000 | – | – |
| Founders' shares ..... | 2000 | – | – |
| Less calls in arrear on new preference shares | 536 | 15 | – |
| Undivided profits from last year's a/c. : Ordy. Shs. | 1035 | 17 | 6 |
| Founders' shares ..... | 035 | 17 | 6 |
| Debenture redemption fund Cr. Balance ..... | 549 | – | 9 |

| | | | |
|---|---|---|---|
| **Furniture & Effects, after depreciations** ..... | £3150 | 3 | 5 |
| **Stocks** on hand—General £77343 1 8 ; Stationery | 392 | 3 | 4 |
| Preliminary expenses a/c., Dr. Balance b/f. ..... | 974 | 12 | 9 |
| Less proportion written off ..... | 487 | 6 | 4 |
| Amt. of interim divs. paid, viz. :—3½ on Ordy. Shs. | 4200 | – | – |
| 3% on £80000 preference shares ..... | 2400 | – | – |
| Bal. of 3% on pref. shares making 6% for the year | 2400 | – | – |
| 6% per ann. on amount called up and pd. upon new preference shares ..... | 429 | 10 | – |
| Further div. on Ordy. shs. at 8½% making 12% per ann. ..... | 10200 | – | – |
| Placed to Reserve Fund out of current profits .. | 1834 | 11 | 5 |
| Debentures at 4½% ..... | 100000 | – | – |
| Interest on debentures, mortgage, and loans paid | 6552 | 8 | 4 |
| Charge to P. & L. A/c. Debenture redemption fund, which amount is handed to Trustees for investment ..... | 835 | – | – |
| Transfer fees rec. £116 1 6 ; Creditors ..... | 35215 | 3 | 5 |
| Sundry Drs. after allowing for bad & doubtful debts | 26946 | 5 | – |
| Gross Profit on Trading £89569 12 6 ; Mortgage | 30000 | – | – |
| Prem. on sale of new pref. shs. (*Place to P. & L.A/c.*) | 2452 | 7 | – |
| Dividend declared on founders' shs. at £3 per share | 6000 | – | – |
| Proportion of profit carried forward to credit of ordy. shares ..... | 3291 | 7 | 6 |
| Proport'n of profit carried to credit of founders' shs. | 2891 | 7 | 6 |

**Answer.**—*Net Profit* £31975 1 5. *Total of B/S.* £438806 3 2.

### Exercise 113.

From the following prepare P/L. A/c. and B/S. of Messrs. Swan & Edgar, Ltd., for the year ending 31st January, 1908.

| | | | |
|---|---|---|---|
| 69,000 ordinary shares at £1 each ..... | £69000 | – | – |
| Rents, rates, taxes, gas & water ..... | 4408 | 15 | 6 |
| Mortgage redemption a/c., Dr. Balance ..... | 6868 | 2 | 6 |
| Suspense a/c., Dr. Balance ..... | 813 | 1 | 4 |
| 31,000 preference shares of £1 each ; Consols 2½% | 1000 | – | – |
| Gross profit on tradg. after making reserve on debts | 46825 | 1 | 4 |
| Insurance, &c., unexpired £605 17 3 ; Mortgage | 26500 | – | – |
| Leases, fixtures, fittings, alterations and improvements a/c. as on 31st January, 1907 ..... | 85175 | 8 | 2 |
| Additions since ..... | 5126 | 14 | 8 |
| Less written off for the past year ..... | 2000 | – | – |
| Stable expenses £1263 – 8 ; Trade expenses .... | 11702 | 11 | 10 |
| Fire insurance, premiums paid ..... | 445 | 11 | 6 |
| Paid Interest on Mortgage ..... | 1325 | – | – |
| Sundry trade debts due by Company..... | 22120 | 4 | 2 |
| Horses and Vans, as per valuation ..... | 554 | – | – |
| **Stock**-in-trade 31st January, 1908 ..... | 35970 | 8 | 9 |
| Directors' fees £600 ; Audit fee ..... | 78 | 15 | – |
| Sundry book debts, after deducting reserve of £1000 | 13603 | 4 | 9 |

| | | | |
|---|---|---|---|
| **Cash in hand and at bank** | **£8926** | **18** | **8** |
| Housekeeping expenses, salaries, wages & repairs | 17339 | 10 | 9 |
| Paid interest on loans £242 18 – ; Transfer fee recd. | 45 | 5 | – |
| Div. paid on preference shares to 31st July, 1907 | 568 | 10 | 6 |
| Undivided profit b/f. from last a/c. | 1127 | 19 | 4 |

**Answer.**—*Net Profit* £7464 3 1 ; *Undivided Profit* £8023 11 11 ; *Total of B/S* £156643 16 1.

### Exercise 114.

Prepare Trading, P. & L. A/cs. and B/S. of the Transvaal Gold Mining Estates, Limited, on 31st March, 1908.

| | | | |
|---|---|---|---|
| Property £437552 5 11 ; Premium on Shares issued | £101750 | – | – |
| Works, buildings and machinery | 217800 | 18 | 9 |
| Movable Plant £7279 6 2 ; Tree-planting | 1502 | 11 | 10 |
| 640,000 shares of £1 each | 640000 | – | – |
| Less reserve shares unissued | 35775 | – | – |
| Sundry Creditors £15,021 9 5 ; Office Furniture | 315 | 9 | 11 |
| Machinery suspense account Dr. balance | 196 | 13 | 2 |
| Plans and Diagrams valued at | 135 | 7 | – |
| Mine development, 194,050 tons in sight valued at | 68670 | – | 6 |
| Ore on hand, 9732 tons, cost | 8059 | 6 | 3 |
| Expenses of mining, 58,067 tons | 64251 | 4 | 10 |
| Expenses of milling, 68,877 tons | 9443 | – | 2 |
| Expenses of cyaniding, 37,034 tons | 13023 | 1 | 10 |
| Expenses of tramming, 51,413 tons | 6993 | 1 | 5 |
| Stores on hand and in transit | 15254 | 17 | 6 |
| Bearer Share Warrants received but not cashed | 533 | 15 | 10 |
| Bullion on hand and in transit | 67120 | 13 | 9 |
| Less advance on same | 43200 | – | – |
| Debtors £809 1 10 ; Cash on hand and at Bank | 27158 | 1 | 4 |
| Wages at Mine £3955 ; General charges at Mine | 5501 | – | 11 |
| Claim expenses £2108 15 10 ; Prospecting Exs. | 1508 | 3 | 6 |
| Head Office expenses :— | | | |
| Salaries £1468 6 8 ; Stationery and Printing | 152 | 16 | 6 |
| General expenses £3355 11 8 ; Legal exs. | 55 | 7 | – |
| Directors' Fees £1000 ; London & Paris exs. | 2132 | 8 | 1 |
| Bullion produced 41416 ozs. | 173226 | 6 | 2 |
| Clewer Tailings produced | 1438 | 7 | 8 |
| Brown's hill tailings produced | 676 | 12 | 6 |
| General revenue £3132 16 11 ; Concession rents paid | 650 | – | – |
| Balance from last year £29702 18 ; Royalties paid | 4920 | 18 | 4 |
| Depreciation on works, machy. and movable plant | 4372 | 18 | 9 |

**Answer.**—*Net Profit* £54116 3 7 ; *Undivided Profit* £83819 1 7 ; *Total of B/S.* £804815 11 –.

### Exercise 115. (Banking.)

Prepare P/L., Appropriation A/c. and B/S. (similar to the specimen given in the Appendix) of the Commercial Banking Co., Sydney, for the half-year ending 31st Dec., 1907. Cap. £1000000 ;

Reserve Fund £1010000 ; Coin and Bullion in hand £1999692 9 5 ; Cash at Bankers £215768 10 4 ; Amount undivided from last half-year £15256 19 5 ; Transferred to Dividend A/c. for payment of a div. for past half-year at the rate of 8% per ann. £40000 ; Notes in circulation £416617 ; Bills in circulation £577960 8 ; Deposits and other liabilities £9699943 9 10 ; Gross Profit for half-year ended 31st Dec., £45996 13 3 ; Government Securities £1009499 ; Queensland Government Notes £48103 ; Rebate on current bills £5846 11 7 ; Remittances in transit £472353 12 7 ; Notes and Bills of other Banks £33300 13 9 ; Bills discounted and all debts due to Bank £8583772 4 5 ; Premises & Furniture £403285.

**Answer.**—*Net Profit* £40150 1 8 ; *Undivided Profit* £55407 1 1; *Total of B/S.* £12765774 10 6.

## Exercise 116.

Prepare Trading, P/L. A/c. and B/S. of the May Consolidated Gold Mining Co., Ltd., on 31st December, 1907. The amount of the depreciation has been deducted from the assets.

| | | | |
|---|---|---|---|
| Value of Claims ..... | £179201 | 10 | 6 |
| Shafts :—Main Incline Shaft, 1015 ft. ..... | 10054 | – | – |
| May Shaft, 917 ft. ..... | 1054 | – | – |
| Reservoir & Dams £7675 19 1 ; Capital..... | 275000 | – | – |
| Sundry Creditors ..... | 9184 | 4 | 11 |
| Owing to the Rand Native Labour Associat'n, Ltd. | 59 | – | – |
| Buildings £15228 ; Plant ..... | 29698 | 11 | 3 |
| Reduction Works—Battery (100 Head) Cyanide Works ..... | 62899 | 14 | 6 |
| Native Wages Suspense A/c. (amt. due to Natives) | 2165 | 10 | – |
| Over-draft to De-Nationale Bank ..... | 32545 | – | – |
| Furniture & Fittings £407 ; Gold in transit ..... | 13714 | 6 | 5 |
| Unexpired value of Accident Insurance Premium | 58 | 12 | 3 |
| Ditto Fire Insurance Premium .... | 153 | 8 | 7 |
| Bal. brought forward from 31st December, 1906 | 4046 | 13 | 2 |
| Rents collected £400 ; Depreciation ..... | 20047 | 3 | 4 |
| Div. received on Rand Mutual Assurance Shares | 276 | – | – |
| Transfer Fees (London Office) ..... | 119 | 3 | – |
| Due from London and Berlin Agents ..... | 548 | – | 4 |
| Sundry Debtors £449 9 – ; Stores on hand ..... | 5723 | 7 | 10 |
| Working Costs :—Quartz Winning ..... | 78503 | 8 | 11 |
| Hauling & Pumping £18786 10 ; Crushing & Sorting ..... | 4828 | 8 | 7 |
| Transport of Quartz £2707 9 8 ; Milling ..... | 34335 | 4 | 9 |
| Cyanide Exs. £22254 18 9 ; Mine Developmt. Exs. | 24375 | 5 | 10 |
| Gold produced at :—Battery ..... | 138787 | 8 | 4 |
| Ditto Cyanide Works ..... | 70692 | 8 | – |
| Cash in hand for Dividends outstanding ..... | 330 | 1 | 10 |
| Investments £545 ; Cash at Mine ..... | 25 | 17 | 10 |

**Answer.**—*Gross* £23688 9 10; *Net* £4436 9 6; *B/S.* £327766 19 5.

## Exercise 117.

Prepare P/L. A/c., Appropriation A/c. and B/S. of the Punctured Tyre Co., Ltd., for the year ending 31st March, 1908. 1,000,000 Pref., 1,000,000 Ord., 2,000,000 Deferred Shares, all of £1 each.

| | | | |
|---|---|---|---|
| Unpaid Calls | £831 | – | – |
| 10000 Debs. £100 each | 1000000 | – | – |
| Debenture Purchases & held in reserve by Co. | 452800 | – | – |
| Patent Rights & Goodw'l | 4262850 | 1 | 8 |
| Debtors | 352272 | 4 | 10 |
| General Reserve | 250000 | – | – |
| Creditors, including Bank overdraft | 207062 | 1 | 11 |
| **Stocks** on hand | 165412 | 15 | 8 |
| Investments at cost | 406969 | 18 | 9 |
| Directors' & Trustees' Fees | 3323 | 6 | 10 |
| Paid int. on Debs. to 31st March, 1908 | 22000 | – | – |
| Transferred to Reserve for unpaid rebates | 22933 | 12 | 4 |
| Freeholds & Leaseholds | 65764 | 13 | 5 |
| Outlay thereon during year | 13676 | 3 | 1 |
| Cash & Bills at Bankers and on hand | 152368 | 8 | 4 |
| Bal. from last a/c. after paying Managing Director's commission | £19735 | 14 | 1 |
| Portion of profit placed to patent reserve a/c. | 50000 | – | – |
| Transfer Fees | 2112 | 2 | 6 |
| Plant, Machinery, Fittings & Furnishings | 31386 | 18 | 11 |
| Additional outlay thereon during the year | 17765 | 5 | 1 |
| Depreciation of Plant, &c. | 3138 | 14 | – |
| Portion of profit placed to special reserve a/c. | 50000 | – | – |
| Royalties, net profits on trading, including dividends on investments recd. or accrued, &c. | 468510 | 18 | 1 |
| Portion of profit placed to general reserve a/c. | 70000 | – | – |

**Answer.**—*Profit* £442160 19 9; *Appropriation A/c. Bal.* £268963 1 6; *Total of B/S.* £5465327 15 9.

## Exercise 118.

Prepare P/L. A/c. and B/S. of the Rochester Electric Lighting Co., Ltd., on 31st Dec., 1908. Cap. subscribed in 2027 shares of £5 each £10135. Cap. allotted under contracts, 1863 shares of £5 each £9315; Creditors for plant, machinery, stores, etc., £1028 – 2.

| | | | |
|---|---|---|---|
| Salaries paid | £364 | 6 | 10 |
| Engine-room wages | 227 | 19 | – |
| Installation & sale of lamps | 177 | 9 | 3 |
| Meter rents received | 61 | 2 | 4 |
| Gross amount of charges for electric current | 2064 | 14 | 6 |
| Due to London & Provincial Bank on Loan | 3000 | – | – |
| Value of Buildings | 2546 | 6 | 11 |
| Main Circuits | 4325 | 16 | 4 |
| Insurance paid | 41 | 5 | – |
| *Unexpired portion* | 13 | 17 | 6 |
| Repairs | 354 | 9 | 3 |
| Rent, Rates & Taxes | 64 | 6 | – |
| Due to Hy. Jasper bal. of 5% loan | 2667 | 13 | 6 |
| Due to Hy. Jasper bal. of 6% loan | 589 | 1 | 11 |
| Paid for coal consumed wharfage and cartage | 846 | 8 | 4 |
| Overdraft at Bank | 1104 | 13 | 8 |
| Incidental Expenses | 18 | 13 | 5 |
| Auditors' Fees | 15 | 15 | – |
| Balance from last year | 215 | 16 | 10 |
| Engine-room stores consmd. | 81 | 4 | 10 |
| Cash in hand | £4 | 4 | 11 |
| Unpaid Cap. on 27 shs. £3 | 81 | – | – |
| Arrears of Shares Calls | 2 | 10 | – |
| Work in Progress | 9315 | – | – |
| Stamps, Stationery, &c., consumed | 17 | 9 | 1 |
| Dep. of Suspense A/c. | 91 | 2 | 10 |
| Depreciation of Stores | 240 | 1 | 9 |
| Value of Plant & Machy. | 8410 | 14 | 2 |
| Electrical Instruments | 399 | 19 | 11 |
| Book Debts | 1035 | 18 | 3 |
| Discount and Allow. made | 209 | 11 | 6 |
| Wiremen's Wages | 31 | 14 | 3 |
| Stores, Lamps, fittings in stock | 374 | 14 | 6 |
| Engine-room stores in stock | 36 | 17 | 6 |
| Coal in stock | 20 | 12 | – |
| Stationery in stock | 10 | – | – |
| Electrical stores and fittings consumed | 145 | 14 | 6 |
| Meters in stock | 453 | 17 | 10 |
| Arc Lamp Plant | 177 | – | – |
| Office Furniture | 48 | 19 | 11 |
| Interest paid | 262 | 7 | 3 |
| Tools | 102 | 11 | 1 |

**Answer.**—*Net Loss for year* £695 5 3. *B/S. Deficiency* £479 8 5. *Total of B/S.* £27755 19 3.

**Exercise 119.**

Prepare a Revenue A/c. and B/S. of the New York and Ohio Mortgage Trust on 31st Dec., 1907. Cap. A/c. £138150, 4% Deb. Stock Issued £138150; cost of property originally purchased £250097 15 6; Investments made during year £25923 16 6, Creditors £25 15; Unclaimed int. and div. £79 14 10; Int. Deb. Stock (less tax) paid £2838 14 6; Accrued £2283 1 6; Interim div. paid 31st July, £690; Income Tax Suspense A/c. Dr. Bal. £57 11 3; Trustees' remuneration £200; Int. received on securities £7974 7 6; Income Tax paid £14 6 5; Transfer fees recd. £58 7 6; General Exs. £385 15 11; Cash at Bank, viz.:—On deposit £4500; on Cap. A/c. £278 8; On Income A/c. £253 2 1; On Interest and Dividend A/c. £79 14 10; Balance from last A/c. £881 – 2.

**Answer.**—*Net Profit* £2310 16 8; *Undivided Profit* £2501 16 10.

**Exercise 120.**

Prepare P/L. A/c. and B/S. of the National Discount Co., Ltd., on 31st Dec., 1907. Gross Profits during the half year £87488 3 9; Income Tax paid £740 9 10; Cap. £169333 shares of £5 per share £846665; Reserve Fund £460000; balance b/f. from last a/c. £3361 – 7; Directors' and Auditors' remuneration £2650; Freehold Premises £108465 14 1; Int. due on Deposits, Rebate and Sundry Cr. Bals. £147328 10 2; B/R. discounted on hand £8275541 18 6; Current exs. and salaries £8318 16 2; Interest due on Invests. and Loans and Sundry Dr. bals. £19958 5 3; Liab. on Deposits, Loans, and Bills re-discounted £10414208 4 8; Cash, Consols and other Securities £1961824 5 1; six mos. div. at 11% per ann. on cap. £46566 11 6; Loans on call, short and fixed dates £1553361 3 4; Rebate on Int. on Bills not due, carried to new a/c. £28190 6 11.

**Answer.**—*Net Profit* £47588 10 10; *Undivided Profit* £4382 19 11.

**Exercise 121.** (Bankruptcy, page 522.) (*C.A. Intermediate.*)

Prepare Statement of Affairs on 9th July, 1906, of the "Sandy Freehold Land Society." Unsecured Crs. £200000; Crs. fully secured £6000; Property held by secured Crs. £12000; Crs. for Rates, Taxes and Wages (preferential) £300; Assets B/E. (good) £22; Book Debts £27000; Good £1000; Doubtful £25000 (produce £2000), Remainder bad; Property £56000; Loans on Mortgage (produce £60000) £170000; Office Furniture, &c., £100; Cash at Bankers £900, at Office £100. **Answer.**—*Deficiency* £74178.

**Exercise 122.** (Bankruptcy, page 522.) (*C.A. Final.*)

Prepare Statement of Affairs and Deficiency A/c. as on the 10th Oct., 1907, of Wm. Corby. Cash in hand £85; Book Debts £3472, estimated to produce £2869; Unfinished contract in hand, estimated to produce £3000 over and above the cost of completing it; Plant, tools, &c., cost £1880, estimated to realise £500; Office Furniture estimated to realise £25; Stock-in-trade valued at £1900; Investments valued at £6200, of which are deposited with bankers as security for loan £5460: Life policies for £2000,

of the estimated surrender value of £1470, subject to advances made by the Insurance Co., amounting to £1420; Unsecured Crs. on Trade a/c. £4140; Unsecured Crs. for cash advanced £5308; W. Smith for two mos. wages due to him as clerk, £30; A. Compton, six mos. salary due to him at £15 per month; Rent recoverable by distress £45; Bankers for loans partly secured £10134 (estimated value of securities held by bankers £7460, viz. :—Investments £5460 and Lease £2000); Capital A/c. on 1st January, 1907, as shown by the books, £189; Loss on Trading from 1st Jan. to 10th Oct., 1907, £374; Loss on sale of investments made on 13th June, 1907, £200; Drawings £750.

**Answer.**—*Deficiency* £3118; *Total B/S.* £12162.

**Exercise 123.** (Bankruptcy, page 522.) (*C.A. Final.*)

Prepare Statement of Affairs and Deficiency A/c. of Mr. Alfred Sykes, on 31st Dec., 1908. Good Book Debts in England £6650; Doubtful £5000; Bad £4500; Properties, stock and book debts, in Brazil £32000; Warehouse in England £26000; Stock in warehouse £1000; and at Bleachers' and Finishers' £4750; Fixtures, hoist, &c., £500; Cash at Bank, £1; in hand £5; Creditors £65000; of which £250 is for wages and taxes, £20000 is in respect of a mortgage on a warehouse building, and £7500 is for bleaching and finishing; B/P. £14500; and there is a liability of £3000 in respect of B/Rs. which, however, is not expected to rank. Assume that stock, doubtful debts, and fixtures in England will realise two-thirds and the properties, stock and book debts abroad one-half of their face value. On 1st Jan., 1904, he had a capital of £30000. After charging int. thereon at the rate of £1500 a year, and paying £800 a year for int. upon the warehouse mortgage, in the first 3 years he made profits of £4200, £3700, and £800 respectively; and in the last 2 years losses of £6400 and £7894. His withdrawals amounted to £6200 a year.

**Answer.**—*Deficiency* £21760 13 4.

**Exercise 124.** (*C.A. Final.*)

Broadbent & Co., Ltd., is formed with a cap. of 20000 shares of £5 each. Of these 15000 are offered for private subscription, £1 per share being payable on application and £1 10 – on allotment. 14000 shares were applied for by the following persons in their respective proportions :—Chas. Norton 1000 shares; Hy. Onslow 1250; Andrew Smith 1000; Septimus Dixon 1000; Fenwick Robson 1500; Leonard Andrews 1500; Thos. Hardy 1000; Chas. Chater 2000; Howard Ingram 3000; Robert Reay 750. The directors allot 12500 shares only, no allotment at all being made to Hardy, and 2500 only to Ingram. The deposit made by Hardy is returned to him, and the amount paid on application by Ingram on the shares in excess of the number allotted to him is applied in partial satisfaction of the amount payable on allotment, the bal. being afterwards duly paid. All the other allottees also paid the amount due from them. Two months after the date of allotment a call of £1 10 – per share was made, and paid by all the shareholders, with the exception of Robert Reay. All the sums recd. from applicants and shareholders are paid direct

to the Bankers of the Co. The directors purchased from Brigham & Co. their business, for £80000. The purchase price was paid as follows: £30000 in fully-paid shares of the Company; £20000 in 5% first mortgage debentures; and £30000 in cash. Make necessary Cash Book and Journal entries, post them, and take out a T.B.

**Exercise 125.** (Income Tax, page 340.) (*C.A. Final.*)

Prepare the statement of Smithson & Co. showing the amount on which they should be assessed for income tax under Schedule D for the year 1901-2. The annual rent of the leasehold premises £40 is debited to Trading A/c. which is also debited with amounts paid for income tax—1898, £25; 1899, £35; 1900, £50. The assessments each year under Sch. A have been, in respect of leasehold on £90, and freehold on £300.

Profit and Loss A/c., 31st December, 1898.

| | | | |
|---|---|---|---|
| Interest on Loans | £500 | Balance from Trading A/c. | £3760 |
| Bad Debts | 600 | | |
| Interest on Capital | 1000 | | |
| *Profit* | 1660 | | |

Profit and Loss A/c., 31st December, 1899.

| | | | |
|---|---|---|---|
| Bank Interest and Charges | £250 | Balance from Trading A/c. | £2300 |
| Interest on Loans | 500 | *Loss* | 50 |
| Bad Debts | 750 | | |
| Interest on Capital | 850 | | |

Profit and Loss A/c., 31st December, 1900.

| | | | |
|---|---|---|---|
| Bank Interest and Charges | £50 | Balance from Trading A/c. | £3000 |
| Interest on Loans | 1050 | | |
| Bad Debts | 300 | | |
| Interest on Capital | 950 | | |
| *Profit* | 650 | | |

**Answer.**—*Profits* £2835; £985; £2350; *Average* £2056 13 4.

**Exercise 126.**

From the following T.B. of Kaye & Stewart, Ltd., prepare Trading, P/L. and Appropriation A/cs. and B/S. at 31st Dec., 1900:—Charge Depreciation on buildings at 3% per ann., on machy. at 6%; credit to bad debts reserve $\frac{1}{2}$% on sales, £136600; write down patents by 10%; reserve $1\frac{1}{2}$% dis. on debtors (£7797 1). **Stock** at 31st Dec., 1900, is £22600 18 –. Appropriate 10% on net profits as remuneration to managing director; £500 as directors' fees; £3500 for Reserve Fund, and 10% as div. on Cap., and c/f. the balance.

| **Dr. Balances**— | | | |
|---|---|---|---|
| Stock, 1st January | £32400 | 12 | 6 |
| Cash | 120 | 6 | – |
| Bank | 4208 | 14 | – |
| Purchases | 52365 | 17 | – |
| Manufacturing Charges | 11575 | – | – |
| Wages | 28555 | 4 | – |
| Salaries | 1525 | – | – |
| Sale Expenses | 6860 | – | – |
| Rates and Taxes | 222 | – | – |
| Insurance | 190 | – | – |
| General Expenses | 2640 | 10 | – |
| Discount | 2473 | – | – |
| Bad Debts written off | 575 | – | – |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| Bankcharges&interest | £387 | 17 | 6 |
| Land & Buildings | 22300 | – | – |
| Plant & Machinery | 37960 | – | – |
| Debtors | 52640 | – | – |
| Patents | 7700 | – | – |
| **Cr. Balances**— | | | |
| 10000 Shares at £10 | 100000 | – | – |
| Sales | 136590 | 10 | – |
| Discount | 579 | – | – |
| Creditors | 20862 | 4 | 6 |
| Bad Debts reserve | 888 | – | – |
| P/L. Bal. 31st Dec.,'99 | 779 | 6 | 6 |
| Reserve Fund | 5000 | – | – |

**Answer.**—*Gross* £34294 14 6; *Net* £15709 7 11.

**Exercise 127.** (*C.A. Intermediate.*)

Prepare P/L. A/c. and B/S. from the following T.B. of the "Waverley Hotel Co., Ltd." as at the 30th June, 1902 :—**Cr. Balances :** Share Cap. 2000 Shares fully-paid, £20000 ; Mortgage Debentures 6%, £8000 ; Crs., £2750 ; B/P., £825 ; Cr. for Debenture Int., £480 ; General Receipts, £14450 ; Hire of Assembly Room, £1295. **Dr. Balances :** Debtors, £1750 ; Cash at Bank and in hand, £2850 ; P. & L. bal. 1st July, 1901, £1450 ; Goods purchased including stock on hand 1st July, 1901, £14950 ; Rent, rates and taxes, £3350 ; Salaries and wages, £3050 ; General Exs., £650 ; Repairs and Alterations, £475 ; Int. on Debentures due £480 ; Directors' fees, £300 ; Hotel Furniture, £18495. **Stock** £4750.

**Answer.**—*Net Loss* £2760 ; *Total Deficiency* £4210 ; *B/S.* £32055.

**Exercise 128.** (*C.A. Intermediate.*)

**1.** The Washington Manufacturing Co., Ltd., issued cap. in Pref. Shares 4000 at £10 each, Ordy. Shares 6000 at £10 each, also Debentures 300 at £100 each. The Debentures are payable at £10 each on application, £20 on allotment, and £70 at 3 mos. The Pref. Shares at £1 on application, £3 on allotment, and £3 each at 3 and 6 mos. The Ordy. Shares are allotted to Vendors as fully-paid. The vendors are Paul Jacob and Simon Montfort in equal shares, and the property taken over from them may be treated in one item as £60000, as on 1st Feb., 1902, which is the date of allotment. Set out the Journal entries under their respective dates, credit in Cash paid to Bank the amount recd. at due dates, and prove by T.B. **2.** This Company at 31st Jan., 1903, had made profits amounting to £10650 (after charging income tax), to be apportioned as follows :—Directors' Fees £1000 ; Reserve Fund £2000 ; Debenture Int. at 5% Pref. Shares at 6%, and appropriate the rest in Dividend on Ordy. Shares at an even rate per cent., carrying forward not less than £900. Income Tax at 6d. in the £ deducted from Deb. Int. and Pref. Div. Make out the Appropriation A/c. **Answer.**—*Bal. c/f.* £1097 2 7 ; *Ordy. div.* 5%.

**Exercise 129.** (*C.A. Intermediate.*)

From the T.B. of a Colonial Colliery at the 31st Dec., 1907, prepare Trading, P/L. A/cs. and B/S. The Share Cap. is £250000 in shares of £1 each, of which 120000 shares are fully paid up ; 80000 shares are 15/- paid up, and 50000 shares are 2/6 paid up :—

| **Dr. Balances—** | |
|---|---|
| Bank | £16406 |
| Cash | 66 |
| Maintnce. & Renewal of Ry. Rolling Stock, Plant, etc. | 1772 |
| General Management Exs. in Australia including Sals. Trav. Exs., Rent, & Petty Exs. | 955 |
| B/R. | 3154 |
| Cash on Deposit | 24755 |
| Directors' Fees | 600 |
| Colliery Gen. Working Exs. Carr. & Shipping Charges | 34085 |
| Auditors' Fees | 142 |
| London Expenses | 847 |
| Div. paid 7th Nov., 1907 | £8000 |
| Debtors | 15341 |
| Cost of Properties | 199094 |
| **Cr. Balances—** | |
| Share Capital | 186250 |
| Int. Rents & Transfer Fees | 491 |
| Sales of Coal | 45452 |
| Reserve Fund | 50000 |
| Call of 5/- per sh. on 80000 (part paid in advance) | 8635 |
| P. & L. A/c., 31st Dec., 1906 | 10513 |
| Unpaid Dividends | 657 |
| Creditors | 3219 |

**Answer.**—*Gross Profit* £9595 ; *Net* £7542 ; *Total B/S.* £258816.

**Exercise 130.** (Bankruptcy, page 522.) (*C.A. Final.*)

Prepare Statement of Affairs and Deficiency A/c. of Messrs. Jones & Co., on 31st Dec., 1900. The firm commenced business on 1st Jan., 1896, with a cap. of £25000. The trading after charging int. upon cap. at £1000 a year, resulted in a profit for 1896 of £602, and in losses in the subsequent respective years of £370, £450, £500 and £700. The Drawings of the Partners were at the rate of £900 a year; and £1500 had been expended during the 5 years upon Patents and Experiments, and at the date of Bankruptcy stood in the books at that sum. Unsecured Crs. £15050; Crs. partly secured £19080 (holding security, as stated by the books, of the value of £18100, but which is only estimated to realise £6000); Crs. for Wages, Taxes, &c., £500; B/R. discounted £2060 (upon which it is estimated there will be a liability of £280); Stock-in-trade £10100 (which is estimated to realise £8000); Book Debts, good, £7860, doubtful and bad £650 (estimated to realise £178); Land and Buildings £8000 (estimated to realise £5000); Machinery and Plant £12500 (estimated to realise £5500); Cash in hand £2.

**Answer.**—*Deficiency* £2370; *Total of B/S.* £28410.

**Exercise 131.** (*C.A. Final.*)

The Manufacturing Co., Ltd., is floated to take over an existing business with a nominal cap. of £200000, divided into 20000 shares of £10 each, of which 15000 are subscribed and allotted (exclusive of the Vendors' Shares). £1 per share is paid on application and £4 per share on allotment on all the shares except those issued to the Vendors. The Vendors agree to accept the purchase money of their business, amounting to £72000, in shares and cash—as to £50000 in fully paid shares and as to £22000 in cash. The Assets purchased by the Co. consist of Book Debts £21500; Stock-in-trade £25000; Furniture & Fittings £500; and Goodwill £25000; and the cash portion of the purchase money is payable 7 days after the allotment of the shares taking place on the 30th June, 1903. Make the entries in the Cash Book and General Ledger of the Company necessary to record these transactions.

**Exercise 132.** (*C.A. Final.*)

The Herald Publishing Co., Ltd., has a Share Cap. of £22500 divided into 2250 shares of £10 each. Prepare Trading and P. & L. A/cs. and B/S. for the year ended on the 31st Dec., 1909, from the following T.B. :—**Stock** at 31st Dec., 1909, £5822. £23 has to be written off the Lease and £250 for decrease in valuation of the Copyrights, and reserve £235 for Doubtful Debts. Due 31st Dec., 1909, but have not been put through the books, viz. :—Directors' Fees £97; Salaries £16; Rates & Taxes £84; Rent £47; Interest on Debentures £186; Discount on open a/cs. £89; Trade Expenses £27; Interest on Mortgage £4.

| | |
|---|---|
| **Dr. Balances—** | |
| Div. paid 31st August, 1909 | £2250 |
| Stock, 31st January, 1909 | 5637 |
| Purchases | 13424 |
| Discounts | 5 |
| Rents | 136 |
| Wages | 600 |
| Fixtures & Fittings | 106 |
| Lease of Premises | 1727 |
| Freehold Premises | 2000 |
| Cash | 3 |
| Trade Expenses | 183 |
| Rates & Taxes | 69 |
| Law Costs | 35 |
| Salaries | 355 |
| Directors' Fees | 292 |
| Interest | 15 |
| Goodwill | 25000 |
| Copyrights | 7918 |
| **Dr. Balances** continued— | |
| Returns (Sales) | £330 |
| Bills Receivable | 294 |
| Cash at Bank | 2179 |
| Int. on Debentures | 581 |
| Debtors in Trade Ledger | 2865 |
| „ in Customers' Ledger | 925 |
| **Cr. Balances—** | |
| Share Capital | 22500 |
| Debentures | 15500 |
| Sales | 19785 |
| Returns (Purchases) | 22 |
| P. & L. Bal., 1st Jan. | 3682 |
| Bad Debts Res., 1st Jan. | 144 |
| Rents Receivable | 37 |
| Sundry Creditors— | |
| In Author's Ledger | 2358 |
| In Trade Ledger | 2001 |

**Answer.**—*Gross Profit* £5638 ; *Net* £3090 ; *Undivided* £4522 ; *Total of B/S.* £48242.

**Exercise 133.** (Income Tax, page 340.)

Prepare a Statement of John Bull showing amount returnable for Income Tax Assessment under Sch. D, and what deductions should be claimed therefrom for the year ending April, 1904.

| Year ended 31st December. | 1900. | 1901. | 1902. |
|---|---|---|---|
| Profit | £1100 | | £300 |
| Loss | | £50 | |
| The following items had been charged before arriving at the P/L. : | | | |
| Interest on Mortgage | 60 | 60 | 60 |
| Interest on Capital | 400 | 450 | 380 |
| Depreciation of Plant | 150 | 150 | 180 |
| Paid Income Tax, Schedule D | 25 | 35 | 30 |
| Ditto Sch. A, at 6d., in respect of Premises | 5 | 6 | 6 |
| Life Insce. Prem., charged to Drawg. A/c. | 25 | 25 | 25 |

**Answer.**—*Profits* £1540, £411, £716 ; *Average* £889, *subject to claims for "Wear & Tear" and Insurance Premium, but the deduction of the Premium does not entitle John Bull to the abatement of* £70.

**Exercise 134.** (*C.A. Final.*)

**1.** "The Wharfeside Steel Co., Ltd." came into existence on the 1st Jan., 1903, having a cap. of £40000 in 8000 Shares of £5 each, £1 to be paid on allotment, £1 on the 1st Mar., and £1 on the 1st June. Freehold land value £2500 was purchased and buildings erected thereon, at a cost of £11250. There was also expended in plant and machinery £3750, in office furniture and fittings £175, and the expenses attendant upon the formation of the Co. amounted to £375. The works were completed by the 30th June and all liabilities in connection therewith were discharged at that date ; there were, however, outstanding as arrears upon the allotment £175, upon the 1st call £280, and upon 2nd call £345. There was cash at Yorkshire Bank £5150. Make the necessary entries for these transactions, prepare B/S. as on 30th June. (*B/S. Total* £23200.)

**2.** On the 31st Dec., **Stock** was taken (which amounted to £7800). From the following T.B. prepare Trading & P/L. A/cs.

and B/S. after depreciating Freehold Buildings 1½% per ann., Machinery and Plant 10% per ann., Furniture, &c., 7½% per ann. Preliminary exs. one-sixth. **Cr. Balances**:—Cap., £24000; Sales, £17500; Creditors, £2375. **Dr. Balances**:—Freehold Land £2500; Buildings, £11250; Machinery and Plant, £3750; Office Furniture and Fittings, £175; Wages, £4000; Formation exs., £375; Calls in arrear: Allotment, £130; First Call, £100, Second Call, £120; Purchases, £12375; Salaries £2200; Directors' and Auditors' Fees, £475; Printing, Stationery, &c., £120; General Office exs., £180; Rates, Taxes and Insurance, £60; Book Debts, £2940; Yorkshire Bank, £3125. **Answer.**—*Gross Profit* £8925; *Net* £5549 1 3.

**Exercise 135.** (Royalties, page 543.) (*C.A. Final.*)

On the 1st Jan., 1901, Jas. Fincham became the lessee of a Chalk Pit on the terms of paying a minimum or dead rental of £1000 per ann., merging in a royalty of 4d. per ton. The output in the year 1901 was 30000 tons, in 1902 it was 40000 tons, and in 1903 70000 tons. Show how you would deal with the Royalty and Rental in Fincham's books, the lease providing that dead rent not merged in royalty could be deducted out of future royalty in excess of the minimum, on the footing that Fincham would in the course of five years have increased the output to at least 300000 tons.

**Exercise 136.** (*C.A. Final.*)

The Middleton Colliery Co., Ltd., T.B. on the 30th June, 1904, is given below. **Stock** £2531. Make out Trading, P/L. A/cs. showing average cost and profit per ton, to the third decimal, and prepare B/S. Due provision has been made for depreciation, and the output for the year has been 1055144 tons.

| **Dr. Balances**— | |
|---|---|
| Leasehold Colliery Plant, Machinery, &c. | £600000 |
| New Works Expenditure | 11416 |
| Debtors | 77970 |
| Bills Receivable | 7404 |
| National Mercantile Bank | 15358 |
| Stocks, Stores & Materials | 15480 |
| Coal Stock, 1st July, 1903 | 1749 |
| Interim Div. A/c., 1st Jan. | 45000 |
| Wages | 263647 |
| Rents and Royalties | 35791 |
| Pit Wood, Stores, &c. | 52044 |
| Coal for Colliery use | 19752 |
| Horses and Horsekeep | 13383 |
| WaggonHire,Freight&Carr. | 42841 |
| Dr. Balances continued— | |
| Surface Damages | £1340 |
| Dis. and Allowances | 13396 |
| Salaries | 5499 |
| Directors' and Auditors' Fees and Law Charges | 3954 |
| Rates, Taxes and Insce. | 8051 |
| General Office Exs. | 3741 |
| Subscriptions and Donations | 1790 |
| **Cr. Balances**— | |
| Cap. 60000 shares at £10 | 600000 |
| Reserve Fund | 24314 |
| P. & L. Undivided Profits | 18078 |
| Creditors | 73210 |
| Coal and Coke Sales | 524004 |

**Answer.**—*Gross Profit* £95988; *Net* £59557; *Undivided* £32635.

**Exercise 137.** (Bankruptcy, page 522.) (*C.A. Final.*)

Prepare Statement of Affairs and Deficiency A/c. as on 1st July,.1907, of Thomas Campbell, merchant, trading to the West Coast of Africa; Unsecured Crs. £8830; Fully-secured Crs. £2352 (who hold security of the cost value of £2630); Partly-secured Crs. £37697 (who hold securities of the cost value of £18098); Preferential Crs. £822; B/P. £20066; B/R. (discounted) £5833, of which £1000 is expected to rank; Book Debts

in England (good) £1341 ; doubtful £170 ; estimated to produce £85 ; bad £34 ; Stock in Liverpool at cost, £1306, estimated at £1200 ; Stock & Book Debts (less sundry liabilities) on the Coast, cost £36584 ; estimated loss on realisation £13224, of Stock £5638, and of Book Debts £7586 ; Four Station Buildings, Plant, Steamers and Carrying Craft £40000, expected to realise £20000 ; Office Furniture £289, estimated to realise £200 ; Cash in hand £4, at Bankers £80. On 1st July, 1902, he had a cap. of £42000, profits appearing to have been made in 1902-3 and 1903-4 of £5000 and £4000 respectively, and losses in the three subsequent years of £2100, £2600, and £3031 respectively, allowing £2000 a year for interest upon capital and his withdrawals having been at the rate of £4500 a year.

**Answer.**—*Deficiency* £3769. *Total of B/S.* £49495.

**Exercise 138.** (*C.A. Final.*)

Prepare B/S., Trading, P/L. A/cs. of the Kingbury Brewery, Ltd., for the year ending 30th June, 1905 (**Stock** £6500), from the following. Registered cap., viz. :—4000 6% Pref. Shares of £10 each, £40000 ; 4000 Ord. Shares of £10 each, £40000.

| | | | |
|---|---|---|---|
| **Dr. Balances**— | | **Dr. Balances** continued— | |
| Brewery Plant & Casks | £40500 | Interim Dividend paid | £1100 |
| Directors' Fees | 500 | Debenture Interest paid | 500 |
| Loans to Customers | 1200 | Stock, 30th June, 1904 | 5000 |
| Debtors | 3500 | **Cr. Balances**— | |
| Bank | 3000 | Subscribed & Called-up Cap., viz. :— | |
| Cash | 150 | 2000 6% Pref. Shs. of £10 each | 20000 |
| Purchases | 6200 | 2000 Ord. Shs. of £10 each | 20000 |
| Excise Duty | 3000 | 5% Debentures | 20000 |
| Goodwill | 25000 | Creditors | 2300 |
| Wages | 900 | Reserve A/c. | 10000 |
| General Expenses | 800 | Sales | 24000 |
| Trade Discounts | 5000 | Rents Received | 3000 |
| Bad Debts | 100 | Balance of profits b/f. from 30th June, 1904 | 1650 |
| Depreciation | 2500 | | |
| Rents paid | 2000 | | |

**Answer.**—*Gross Profit* £10400 ; *Net* £6500 ; *Undivided* £7050.

**Exercise 139.** (Royalties, page 543.). (*C.A. Inter.*)

The Leeds Colliery Co. acquires a lease of a mineral area for a term of 60 years at a minimum certain rent of £500 per ann. merging into a royalty of sixpence per ton on coal worked in periods, each of three years. Assuming the royalties on coal worked during the first year amounted to £100, in the second year £400, and in the third to £700 (leaving £300 of certain rent forfeited), make Journal and Cash Book entries and post to Ledger A/c. on the basis of the first two years' rent having been paid to the end of each year, and the rent of the last year being unpaid, showing the amount chargeable to P/L. in each year.

**Exercise 140.**

Prepare Trading, P/L. A/cs., and B/S. for the year ended 31st Dec., 1905, from the T.B. of the books of John Williamson & Co., Ltd., Manufacturers. Write off depreciation on patents and machinery at 5% per ann., and on loose tools at 12½% per ann. Provide 5% to cover doubtful book debts. **Stock** at 31st December, 1905, £16350.

| Dr. Balances— | |
|---|---|
| Freehold Land & Buildings | £35000 |
| Machinery & Plant | 27000 |
| Loose Tools | 1000 |
| Stock at 1st January, 1905 | 17500 |
| Material Bought | 23750 |
| Wages | 9000 |
| Office Salaries & Travellers | 2500 |
| Coal and Coke | 1300 |
| Rates and Taxes | 430 |
| Discounts | 820 |
| Bank | 3500 |
| Debtors | 6800 |
| Dr. Balances continued— | |
| Cash | £90 |
| Bad Debts | 125 |
| Returns | 1880 |
| Repairs | 405 |
| Interest on Debentures | 800 |
| Patents (cost) | 13170 |
| Cr. Balances— | |
| Issued Capital | 70000 |
| Debentures | 20000 |
| Creditors | 2070 |
| Sales | 53000 |

**Answer.**—*Gross Profit* £15920; *Net* £8366 10; *Total B/S.* £100436 10.

**Exercise 141.** (Income Tax, page 340.) (*C.A. Final.*)

Prepare Income Tax Return, Thomas Thorp, showing the amount payable under Schedule D for the year ending 5th April, 1907, from the following :—Net balance of P. & L. A/cs.—1903, profit £1000; 1904, loss £200; 1905, profit £800. The following had been debited to the a/cs. before arriving at these balances : Ground rent of leasehold premises occupied for the purposes of the business £20 a year; Income Tax at 8d. (Schedule A) for same premises £10; Income Tax (Schedule D) 1903, £12; 1904, £14; 1905, £20; Int. on Mortgage of £2000 at 4%; Bank Int. 1903. £20; 1904, £17; 1905, £30; £20 a year had been written off on account of goodwill, and £10 a week had been drawn by the principal for salary.

**Answer.**—*Profits* £1362; £164; £1170; *Average* £898 13 4.

**Exercise 142.** (*C.A. Final.*)

Prepare Trading, P/L. A/cs. and B/S. from the T.B. at 30th June, 1906, of the Pottery Co., Ltd. Nominal Cap. £10000 in £10 shares. **Stock** 30th June, 1906 :—Earthenware £800; Cratewood, &c., £200; Clay £800; Coal, &c., £200. Write off Depreciations—Machinery and plant 5%, land and buildings 2½%, tools, &c., 5%, provision for bad debts and discounts 5%, off debtors.

| Dr. Balances— | |
|---|---|
| Calls in Arrear | £200 |
| Land & Buildings | 2000 |
| Plant & Machinery | 2500 |
| Loose Tools, &c. | 500 |
| Horses & Carts | 300 |
| Stocks, 30th June, 1905 :— | |
| Earthenware | 1000 |
| Cratewood, Packing, &c. | 250 |
| Clay | 1000 |
| Coal and Sundries | 250 |
| Debtors | 3000 |
| Straw, Cratewood, &c. | 600 |
| Coal, Coke, &c. | 300 |
| Clay | 2500 |
| Wages | 6500 |
| Horse and Cart Expenses | 300 |
| Carriage | 500 |
| Dr. Balances continued— | |
| Repairing & replacing Plant | £150 |
| Do. do. Loose Tools | 50 |
| Do. do. Buildings | 100 |
| Rates and Taxes | 50 |
| Gas and Water | 50 |
| Bills Receivable | 1200 |
| Incidental Expenses | 200 |
| Bank | 450 |
| Cash | 50 |
| Cr. Balances— | |
| Capital, 900 Shares paid up | 9000 |
| P. & L. A/c. | 200 |
| Creditors | 1000 |
| Sales | 12000 |
| Packing, &c. | 1000 |
| Bills Payable | 800 |

**Answer.**—*Gross Profit* £2100; *Net* £850; *Undivided* £1050; *Total of B/S.* £11650.

**Exercise 143.** (*C.A. Final.*)

The Auto-Car Manufacturing Co., Ltd., purchased certain patents from Morgan & Evans under an agreement dated 15th July, 1906, at a cost of £55000, £5000 of which was to be paid to the vendors in cash, and £50000 in fully-paid £10 ordy. shares. The Co. issued Cap. to the extent of £100000—£75000 in £10 ordy. shares (£1 on application, £4 on allotment, and £5 at the end of 3 months), and £25000 in £25 5% pref. shares (£5 on application, £10 on allotment, and £10 at the end of 3 months). The patents passed on to the Co. according to the agreement on 31st July, which was also the date of allotment. The shares were fully subscribed and duly paid for, the cash being paid direct to the Co.'s bankers. Make the Cash Book and Journal entries for the above, post to Ledger A/cs., and make Trial Balance.

**Exercise 144.** (Income Tax, page 340.) (*C.A. Final.*)

The P. & L. A/c. of a Company owning its own premises assessed at £3234, shows a profit for the year ending 31st Dec., 1907, of £9253, in arriving at which Directors' Fees £1750, Income and Property Tax £1487, Interest on Loans £200, Depreciation of Buildings £100, of Plant £182, and of Fixtures £95, and Subscriptions and Donations £75, have been charged, and £96 income from an investment in £2500 Debenture Stock of a Company has been credited. The agreed figures of the two previous years are £5915 and £7745, and the rate of depreciation of Machinery, which stood at the beginning of the year at £2430, and to which there has been added in the year £280, has been agreed at 7½%. Make out the Income Tax Return for 1908-9. **Answer.**—*Average Profit* £7240 13 4, *subject to claim for "Wear and Tear."*

**Exercise 145.** (*C.A. Intermediate.*)

Prepare as on the 31st March, 1907, Trading, P/L. A/cs. and B/S. of L. Bentley & Co., Ltd., the **Stock** at that date being £9640.

| | | | |
|---|---|---|---|
| Capital | £14016 | Rent | £2911 |
| Creditors | 17460 | Rates & Taxes | 913 |
| Bills payable | 735 | Gas, Electric Light & Water | 462 |
| P. & L. Balance from 1906 | 2426 | Salaries | 710 |
| Interim Dividend paid | 1401 | Wages | 3817 |
| Cash:—On Deposit | 5105 | Premiums & Commissions | 1451 |
| at Bank | 294 | Advertisements | 943 |
| in hand | 266 | Price Lists, Printing & Postages | 1662 |
| Leases | 12314 | Housekeeping | 1240 |
| Fixtures & Furniture | 311 | Carriage, Paper & String | 1612 |
| Debtors | 1699 | General Trade Exs. | 395 |
| Insurance paid £182, of which £54 is unexpired | 128 | Interest | 531 |
| Goodwill | 12000 | Discounts allowed | 57 |
| Stock, 31st March, 1906 | 10047 | Annual Painting of Premises | 79 |
| Purchases | 61217 | Bad Debts | 97 |
| Sales | 85683 | Depreciation of Leases | 289 |
| Discount obtained | 2006 | Auditors' Fees | 75 |
| | | Preliminary Exs. written off | 246 |

**Answer.**—*Gross Profit* £18630; *Net* £8447; *Undivided* £9472; *Total of B/S.* £41683.

**Exercise 146.** (Banking.) (*C.A. Intermediate.*)

Prepare P/L. A/c. and B/S. of the Thrifty Bank for the 31st Dec., 1906. **Cr. Balances:**—Cap. £114430; Reserves £145210; Notes Issued £39705; Customers' Credit Balances £897530; Unpaid Dividends £240; Gross Profits £32490; Bal. of Profit, 1905, b/f. £1560. **Dr. Balances:**—Bad Debts £3000; Expenses £11505; Interim Div. paid £5720; Cash in hand £38135; Cash at Call £44230; Investments £328465; Stamps on hand £505; Premises £37250; Customers' Debit Balances £762355.

**Answer.**—*Net Profit* £17985; *B/S. Total* £1210940; *Undivided* £13825.

**Exercise 147.** (*C.A. Final.*)

Draw Trading, P/L. A/cs. and B/S. for the year at 31st Dec., 1906, of the Oil and Gas Motor Co., Ltd. The Nominal Cap. is £25000 in £10 shares. Write off Depreciations—Land & Buildings 3%, Plant & Machinery 5%, Patterns 10%, Patents 10%, Office Furniture 5%, and make a provision of 6% on the Debtors for discounts and bad debts. On 31st December, 1906, the **Stock** was £9500, and Loose Tools £2300.

| **Dr. Balances**— | |
|---|---|
| Land & Buildings | £5000 |
| Plant & Machinery | 8800 |
| Patterns | 3300 |
| Stock-in-trade, 31st Dec.,1905 | 9000 |
| Office Fittings & Furniture | 400 |
| Loose Tools, valued 31st December, 1905 | 2500 |
| Patents | 1000 |
| Debtors | 10500 |
| Cash in hand | 100 |
| P. & L. A/c. 31st Dec., 1905 | 4270 |
| Purchases | 19000 |
| Wages (Manufacturing) | 11800 |
| Erecting, Fitting & Carriage | 2400 |
| Repairs, Renewals & Maintenance | 800 |
| Coal, Coke, Gas & Water | 450 |
| **Dr. Balances** continued— | |
| Printing, Advertising & Stationery | £250 |
| Rents, Rates, Taxes & Insce. | 260 |
| Travelling & Commission | 1400 |
| General Expenses | 450 |
| Directors' Fees | 100 |
| Interest on Debentures | 900 |
| Bank Interest & Commission | 70 |
| Legal & Accountancy | 150 |
| Royalties | 200 |
| **Cr. Balances**— | |
| Subscribed Capital | 20000 |
| Debentures 6% | 15000 |
| Creditors | 7000 |
| Bank Overdraft | 900 |
| Sales | 40000 |
| Discounts & Bad Debts | 200 |

**Answer.**—*Gross Profit* £7100; *Net* £600; *Deficiency* £3670.

**Exercise 148.** (*C.A. Intermediate.*)

The Stanley Colliery Co., Ltd., was formed on 1st June, 1906. The number of shares issued was 5557 £1 shares, on which 5/- per share had been called up and 8000 shares issued to the vendor as fully paid in part payment for the property. During the year no mining was done pending the completion of machinery. Draw a B/S. from the T/B. at the 31st May, 1907:—**Cr. Balances:** F. Wilson £2750; Share Cap. £9389 5; Harrison & Co. £3900; Loan £250; Outstanding A/cs. (salary and rent) £37 10; Thompson & Co. £79 2; Transfer Fee 2s. 6d. **Dr. Balances:** Calls in arrear £298; Property £15000; Preliminary Exs. £155 15 6; Printing and Stationery £13 15; Petty Exs. 3s. 2d.; Cables, Postages & Telegrams £5 18 5; Salaries £361 13 11; Office Rent £112 10; Office Exs. £5 13 11; Machy., &c., £400; Int. £3 1; Cash £49 8 7. (*B/S. Total* £16107 17.)

**Exercise 149.** (Double A/c. System, p. 516.) (*C.A. Final.*)

After providing Depreciation on Buildings 2½%, Machinery 7½%, Mains 5%, Transformers, &c., 10%, Meters and Electrical Instruments 15%, prepare Revenue A/c., Net Revenue A/c., Cap. A/c. and B/S. from the following T.B., of the Dynamo Electric Lighting Co., Ltd., as on 30th June, 1903. A call of £1 per share was payable on 31st Dec., 1902, and arrears are subject to interest at 5% per ann.

| 30 June 02. | Capital | £ | £ |
|---|---|---|---|
| £ | Nominal 10000 Shares of £10 each. | | |
| 20000 | Subscribed 5000 „ „ £5 paid | | 25000 |
| 15000 | Debentures 6% Interest | | 15000 |
| 1000 | Depreciation Fund | | 1000 |
| | Calls in arrear | 1000 | |
| 9300 | Freehold Land | 9300 | |
| 4000 | Buildings | 5000 | |
| 6000 | Machinery at Station | 10000 | |
| 5000 | Mains | 8000 | |
| 1000 | Transformers, Motors, &c. | 2000 | |
| 500 | Meters | 1500 | |
| 300 | Electrical Instruments | 400 | |
| 1600 | General Stores (Cables, Mains & Lamps) in Stock | 2350 | |
| 250 | Office Furniture | 250 | |
| | Coal and Fuel | 1900 | |
| | Oil, Waste, & Engine Room Stores | 750 | |
| | Coal, Oil, Waste, &c., in Stock | 100 | |
| | Wages at Station | 3000 | |
| | Repairs & Replacements | 500 | |
| | Rates & Taxes | 300 | |
| | Salaries of Secretary, Manager, &c. | 1500 | |
| | Directors' Fees | 1000 | |
| | Stationery, Printing & Advertising | 600 | |
| | Incidental Expenses | 100 | |
| | Law Charges | 200 | |
| | Sales by Meter | | 8750 |
| | Sales by Contract | | 5000 |
| | Meter Rents | | 300 |
| | Sundry Creditors | | 1000 |
| | Sundry Debtors | 3000 | |
| | Cash in hand and at Bank | 3300 | |

**Answer.**—*Bal. of Revenue A/c.* £2465 ; *Bal. Net Revenue A/c.* £1565 ; *Total Capital A/c.* £39000.

**Exercise 150.** (*C.A. Final.*)

Abe Allen and Ben Bailey were partners in the following scheme, A. to take ⅔ and B. ⅓ of the profits. They agree to guarantee the subscription at par of 100000 shares of £1 each in a Co. and to pay all expenses up to allotment, in consideration of the Co. issuing to them 15000 other shares fully paid. A. provided cash for the following exs. :—Registration and fees £115 ; Advertising £2150 ; Printing and Prospectuses £230. B. provided cash for remainder, viz. :—Rent of temporary office £25 ; Secretary, &c., £100 ; petty cash and sundries £27 ; stamps £103 ; solicitors £250. The applications fell short of the £100000 by 3000 shares, and by arrangement B. found the cash in full for that number on the joint a/cs. The Company handed A. and B.

the 15000 shares. A. and B. then sold all their shares at 17s. 6d. each less brokerage at 2d. per share. B. received the net proceeds of 3000 shares, and A. received the remainder. Make up the separate a/cs. of the partners (without interest). Show profit made by each, and amount payable by A. to B. at settlement. **Answer.**—*Profit* £9600 ; *A. paid B.* £4105.

**Exercise 151.** (*C.A. Final.*)

The cap. of the Empire Co., Ltd., is £100000 in 6% cumulative pref. shares, and £90000 in ordy. shares. The profits of any year are to be applied thus :—(1) 5% thereof to the directors for remuneration. (2) To paying the pref. div. and any arrears thereof. (3) To paying an ordy. dividend up to 10%. Any surplus over the above (after deducting tax at 8d.) to be applied thus :—(A) 10% thereof to the directors for further remuneration. (B) Two-thirds of the remainder as further ordy. div. (C) One-third of the remainder to the reserve fund. The profits of the year 1905 were £31034 9 8. The Pref. div. of 1905 was 3% in arrear. Distribute profits as stated, providing for income tax at 8d. in the £.

**Answer.**—*A.* £1110 ; *B.* £6660 ; *C.* £3330, *all after deducting tax.*

**Exercise 152.** (*C.A. Intermediate.*)

Prepare B/S. of France & Co., Ltd., on 30th June, 1909, from the following :—The authorised share cap. is £100000 in 100000 shares of £1 each, of which 50000 have been issued and 18/- called up.

| **Dr. Balances—** | | **Cr. Balances—** | |
|---|---|---|---|
| Calls in arrear | £25 | 50000 Shares at 18/- | £45000 |
| Patents | 5000 | 250 £100 Mort. Deb. Bonds 5% | 25000 |
| Bank | 1325 | Calls in Advance | 200 |
| Cash | 117 | Creditors | 5375 |
| Debtors | 16150 | Reserve Fund | 8000 |
| Stock | 11220 | Reserve for Bad Debts | 650 |
| Investments for Res. Fund | 7000 | Suspense A/c | 500 |
| Plant & Machinery | 26020 | Profit | 9342 |
| Land & Buildings | 25435 | Depreciation : Plant & Machy. | 525 |
| Interim Dividend paid | 2300 | | |

**Answer.**—*Total of B/S.* £91092

**Exercise 153.** (See page 498.) (*C.A. Final.*)

Prepare an Income and Expenditure A/c. and B/S. from the following T.B. and particulars of the Land & Buildings Co., Ltd., as on 30th April, 1907. Make a Reserve of £21 for audit fee, and £25 for repairs. Int. on Mortgage has been paid to 31st Dec., 1906. Two tenants, Geo. Field and Richard Fell, at £180 a year each have paid rent to 31st Mar., 1907. The only other tenants are those mentioned in the T.B. Provide for a dividend of 6% on the capital and carry the balance to the reserve fund.

| | |
|---|---|
| **Dr. Balances—** | |
| Incidental Expenses | £5 |
| Postages | 3 |
| Bank Commission | 4 |
| Interest on Mortgages | 240 |
| Secretary's Remuneration | 80 |
| Robt. Norton half-year's rent due 31st Jan. | 80 |
| Leo Rollins half-year's rent due 28th Feb. | 90 |
| Repairs & Painting | 35 |
| Fire Insurance | 12 |
| Stationery & Printing | 16 |
| Felix Walters half-year's rent due 31st Dec., 1906 | 120 |
| Heating & Ventilating | 50 |
| Yeo. Morris half-year's rent due 31st March | 240 |
| **Dr. Balances** continued— | |
| Land & Buildings | £25000 |
| Income Tax | 37 |
| Public Art Co. half-year's rent to 31st Dec., 1906 | 90 |
| Bank | 609 |
| **Cr. Balances—** | |
| Registration & Transfer Fees | 1 |
| Bank Interest | 15 |
| Reserve Fund | 1220 |
| Rentals | 1310 |
| Capital A/c. 3000 shares of £5 each fully paid | 15000 |
| Forfeited Shares | 10 |
| Saml. Carter (Mortgage 4%) | 9000 |
| Creditors | 155 |

**Answer.**—*Net Profit* £958 ; *B/S. Total* £26509.

**Exercise 154.** (Royalties, page 543.) (*C.A. Final.*)

The Coal Mine Co., Ltd., took a lease of a colliery from G. Risch for 99 years from 29th Sept., 1906, at a ground rent of £50 a year payable half-yearly, and a royalty of 6d. per ton, with a minimum royalty of £80 a year, payable half-yearly. During the first year the Co. raised 2500 tons, and during the second year ended 29th Sept., 1908, 4000 tons. The several amounts due to G. Risch were paid 21 days after becoming due. Write up both Personal and Nominal A/cs. and balance them at the end of each year.

**Exercise 155.** (*C.A. Intermediate.*)

A Company on 1st Jan., 1902, formed to acquire an established business issues ordinary cap. £100,000 in £10 shares, payable £1 on application, £2 on allotment, and the balance 3 mos. after allotment ; pref. cap. £50,000 in £10 shares, payable in the same manner ; and £50,000 in debentures, of £100 each payable 10% on application, and the balance on allotment. The whole (other than the shares taken by the vendor) was subscribed, allotted and duly paid up. The vendors are to receive £100,000 payable as to £40,000 in ordy. fully-paid shares and £60,000 in cash, such price to include £20,000 for freehold buildings, and £30,000 for stock-in-trade, the bal. being for goodwill. Make Journal entries relating to the issue of the capital and the purchase of the vendors.

**Exercise 156.** (Double A/c. System, p. 516.) (*C.A. Final.*)

The following is the T.B. of the Durham Ry. Co. after the completion of the Revenue A/c. for the half-year ended 31st Dec., 1908. *During* the said half-year there was an issue of £10,000 3½% preference stock, at par, which was fully subscribed and paid up, also of £20,000 ordy. stock fully subscribed and paid up at a premium of 5%. The expenditure on lines open for

traffic was £25000 ; on lines in course of construction £1000 ; and on working stock £5000. Make out Capital A/c. and B/S.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Lines open for Traffic | £851950 | Sundry Outstanding A/cs. | £4000 |
| Lines in course of constructn. | 5000 | **Cr. Balances—** | |
| Lines not commenced | 50 | 3½% Pref. Stock | 300000 |
| Working Stock (Engines, Carriages, &c.) | 130000 | Ordinary Stock | 500000 |
| Contributions to Joint Lines | 50000 | 4% Debenture Stock | 200000 |
| Purchase of Grand Canal | 5000 | Premiums on Stocks issued | 25000 |
| Cash at Bank | 5000 | Debts due to other Co.'s | 500 |
| General Stores—Stocks on hand | 10000 | Sundry Tradesmen, &c. | 20000 |
| Traffic A/cs. due to Co. | 10000 | Fire Insurance Fund | 1500 |
| Due from other Companies | 1000 | Superannuation Fund | 5000 |
| | | Cr. Balance of Net Revenue A/c. | 20000 |

**Answer.**—*Balance Cap. A/c.* £17000 ; *B/S. Total* £47000.

**Exercise 157.** (*C.A. Inter.*)

A Company registered with a cap. of £1,000,000 in £10 shares issued 80000 shares at a premium of 2/- per share payable at £2 12 on application, including the premium, and £2 10 on allotment. It also issues 5% debentures to the extent of £100,000 at £104 per £100 payable £14 on application, including the premium, and the bal. on allotment. The Co. acquires a business for £250.000 payable £200,000 in fully paid up shares, and £50,000 in cash. The Registration fee and formation exs., which amount to £6000, are to be paid out of the premium of 2/- per share, the balance is to be carried to a reserve. The premium on the issues of debentures is to be carried to the same reserve. Make the Journal Entries.

**Exercise 158.** (Royalties, page 543.) (*C.A. Inter.*)

A colliery is worked under a 30 years' lease at a royalty of 8d. a ton, with a minimum yearly rent of £1000 with power to recoup short workings. In the first year 25000 tons are worked ; in the second, 26500 ; in the third, 24600 ; in the fourth 31000 ; and in the fifth, 30500 tons. Journalise these transactions and state how the respective years' royalties would affect the P/L. A/c. and B/S.

**Exercise 159.** (Income Tax, page 340.) (*C.A. Final.*)

Prepare the Income Tax Return of the Atlas Steel Co., Ltd., for the year 1909-10 from the following figures :—Profit for the year 1906, £25000 ; 1907, £23740 ; 1908, £29450. These profits are, after bringing to credit net income from farms and cottages £2500, and £2550 income received from investments, and after charging Income Tax paid £600 ; Charitable gifts £500 ; depreciation of machinery £1600 (of which presume £800 is allowed) ; and of buildings £1000 ; and writing off £1000 from the Colliery freehold each year. The Company's property is assessed for tax at £6000.

**Answer.**—*Profits* £18650; £17390; £23100; *Average* £19713 6 8, *subject to claim for "Wear and Tear."*

**Exercise 160.** (*C.A. Final.*)

Prepare Revenue A/c. and B/S. of the Spark Fire Insurance Co. on 31st December 1900, from the following :—

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Re-assurances (representing premiums which have been paid to other companies with the object of sharing the losses; the amount must be deducted from the Premiums received) paid and outstanding | £69000 | Deposits with Foreign Co.'s | £17000 |
| Losses by Fire | 480000 | Deposits with United States Trustees | 11000 |
| Expenses of Management | 120000 | Agents and Branch Office Balances | 105000 |
| Commission | 119000 | Outstanding Premiums at Head Office | 1500 |
| Foreign State Taxes | 11000 | Cash at Bank | 10500 |
| Shareholders' Dividends paid and payable | 12500 | **Cr. Balances—** | |
| Mortgages within U.K. | 100000 | Premiums | 770000 |
| Mortgages out of U.K. | 10000 | Losses Recoverable (in respect of re-assurances and must therefore be deducted from Losses by Fire in the Rev. A/c.) | 60000 |
| British, Colonial and Foreign Securities | 155000 | P. & L. A/c. | 3500 |
| Railway Debs. and Stock | 150000 | Fire and General Reserve Funds | 280000 |
| Railway Preference Shares | 33000 | Interest and Dividends (of which £5000 has not been recd.) | 13500 |
| Municipal & County Council &c. (Loans) | 17000 | Capital | 250000 |
| Bank Deposits for period | 20000 | Outstanding Fire Losses | 63000 |
| | | Outstanding Dividends | 6500 |

**Answer.**—*Net Profit* £44500 ; *B/S. Total* £635000.

**Exercise 161.** (Bankruptcy, p. 522.) (*C.A. Final.*)

Prepare Statement of Affairs of Nathan Thorpe, engineer, on 20th March, 1909.

| | Book Values. | Estimated to produce. |
|---|---|---|
| Leasehold Premises held for 99 years at £50 a year | £5000 | £4500 |
| Fixed Machinery & Plant on the said Premises | 2000 | 1000 |
| Loose Tools, Plant, &c. | 700 | 350 |
| Stock-in-Trade | 1000 | 600 |
| Book and other Debts—Good (less 5%) | 300 | 285 |
| ,, ,, Doubtful | 800 | 200 |
| ,, ,, Bad | 2000 | |

Cash in hand £5 ; 500 £1 Shares in the Hole Mine Co., Ltd., 5s. per share paid, bal. called up. In liquidation. No return expected. Household Furniture and Effects £250 ; Life Insurance Policy for £2000 at death, subject to premium £35 a year, due 30th Dec., held by Insurance Co., for Loan of £180. Surrender value £200, less loan. *Liabilities* :—Crs. for Unsecured Trade Debts £3000 ; Private and Household Debts £150 ; Loan of £2000 at 4% secured by First Mortgage on Leaseholds, Int. paid to 20th May, 1908 ; Bankers for overdraft secured by second Mortgage on Leaseholds £2500 ; Loan of £1000 at 5% secured by third charge on Leaseholds and second charge on Life Insurance Policy. Int. paid to 20th Sept., 1908 ; Ground Rent of Leaseholds accrued since 25th Mar., 1908, had not been paid ;

Rent of Dwelling-house, £30 for half-year due 25th Dec., 1908; Taxes due 1st Jan., 1909, £20; Local Rates £25; Liability on Shares of Hole Mine Co., Ltd., above mentioned; omit calculations on Income Tax. **Answer.**—*Deficiency* £2046 13 4.

**Exercise 162.** (Bankruptcy, page 522.)

Prepare Statement of Affairs of Alfred Bullough on 31st May, 1908.

| | | | |
|---|---|---|---|
| Trade Creditors ..... | £1200 | Cash ..... | £150 |
| Bills Payable ..... | 1500 | Book Debts ..... | 1900 |
| Bankers ..... | 600 | Stock ..... | 1300 |
| Balance..... | 400 | Fixtures, &c. ..... | 350 |

Upon A.B. being questioned the following facts were elicited :—He had omitted from the B/S.—(*a*) £50 owing for rent and £15 for rates. (*b*) £500 borrowed at 5% from his father-in-law three years ago, no payment having been made on a/c. of either principal or int. (*c*) A B/E. for £100 accepted by a firm without consideration, would be due in a month. His private and household debts amounted to £120. The item entered in B/S. as cash included I.O.U.'s for £120, which he had put in the cash box for moneys drawn for betting purposes. About £700 of the book debts might be taken as bad, the rest would be recoverable. The stock was good except about £200, which would not produce more than £20. The fixtures would not realise more than £50. His other assets were :—Household furniture worth about £250, Freehold house in which he resided mortgaged to secure £1000 at 4%, the bankers holding a second charge as security for their overdraft. The house was valued at £1500. **Answer.**—*Deficiency* £1010. *Total B/S.* £3595.

**Exercise 163.** (Bankruptcy, page 522.) (*C.A. Final.*)

Prepare the respective Balance Sheets of the firm of "Robinson Bros." and of the several partners, Alfred, Benjamin & Charles; after which prepare the respective Statements of Affairs of the firm and the several partners, giving effect to the rights of holders of securities; accepting the values of assets as given on 3rd April, 1907.

| | |
|---|---|
| **Joint Estate**—Unsecured Trade Crs. £31280; Cash Crs... | £6642 |
| Cash Crs. collaterally partly secured by Policies of Assce. | 9015 |
| On the life of Alfred, worth £1615; of Benjamin worth | 738 |
| Cash Creditors, fully secured ..... | 10435 |
| they holding securities belonging to the firm worth.... | 14395 |
| Liabilities on Bills discounted, considered good ..... | 1340 |
| Preferential Creditors of Joint Estate ..... | 2128 |
| Tradesmen's Claim on Separate Estate of Alfred ..... | 697 |
| Cash at Bank £1050; in hand £843; Debtors £2975; Stock £30155; Fixtures and Furniture..... | 1400 |
| **Separate Estate** of Alfred, Cash Creditors ..... | 2578 |
| they holding as security Freehold Property of his, worth | 3000 |
| Tradesmen's Claims on Separate Estate of Benjamin ... | 119 |
| Tradesmen's Claims on Separate Estate of Charles ..... | 190 |
| Cash Creditors of Charles, unsecured ..... | 510 |
| Household Furniture, Separate Estate of Alfred ..... | 1000 |

Household Furniture, Benjamin £1000; Charles ..... £500
Reversionary Interest under will of John Smith, deceased,
Separate Estate of Charles, worth ..... 200
Alfred had overdrawn his a/c. with the firm by ..... 4500
Benjamin „ „ „ £3000; Charles 1182

**Answer.**—*Deficiency of Firm* £4723; *Surplus of Alfred* £725; *of Benjamin* £881; *Charles' Statement Balances.*

**Exercise 164.**

The Business of Wm. Barlow & Sons was purchased for £79000 by a Co. on 1st Jan., 1900, and they traded as Wm. Barlow & Sons, Ltd. The Nominal Capital was fixed at £100000 in Pref. and Ordy. Shares divided equally. The Co. took over Assets, valued as follows :—Stock £30000; Plant and Machinery £12000; Freehold Land and Buildings £25000. The Co. was to receive the benefit of a reserve of £500 for Bad Debts and of £500 for Discounts.

Shares were allotted to Vendors as follows :—6000 Pref. and 2000 Ord., while the public applied for and were allotted 3980 Pref. and 7630 Ord. Shares, payable £1 on application, £1 on allotment, and 2 calls of £1 10s. each, 1 and 3 months after allotment. The public paid all calls on the Pref. Shares, and as regards the Ord. Shares, only £7250 were paid on allotment, £10690 on 1st Call, and £10580 on 2nd Call. All sums being paid direct to Bank. The balance of the purchase money was paid by cash, and the bank charges for the year amounted to £290 10s. 7d.

During 1900 the following transactions took place :—Purchases £17379 18s. 5d.; Sales £46074 12s. 5d.; Wages (Manufacturing) £9284 17s. 10d.; Carriage on Purchases £685 10s. 11d. Returns : by Customers £2794 17s. 11d.; to Manufacturers £1386 12s. 7d. They paid on a/c. of Goods £10073 6s. 5d.; Trade Exs. £835 17s. 4d.; Taxes, Rates, &c., £639 17s. 11d.; Additional Land and Buildings for extension £15000; Plant, &c., purchased and paid £9500; Legal Expenses £155, Discount received £795 8s. 10d., and allowed £1694 7s. 11d.; Bad Debts amounted to £513 7s. 0d.; Bills received £2684 7s. 5d.; and bills granted £1795 9s. 10d., of which £1189 16s. 4d. and £802 5s. 4d., respectively were outstanding.

The amounts received for Sales £27897 6s. 5d., and also a Mortgage of £7500 on Buildings. During the year an issue of Debentures took place of £20000 at a premium of 10%, which was to be placed to a Reserve Fund. At the end of the year £720 was *due* for interest. The calls in arrear not having been paid, the Directors, after due notice, cancelled 279 Ord. Shares on which only £1 each had been paid on application, and £43 on allotment. The Directors wrote off 2½% from stock valued at £19789, also 2% from Land and Buildings, 7½% from Plant, &c., and reserved 5% from Debtors for discount. Apply the Reserve Fund towards reduction of Goodwill. Prepare Trading, P/L. A/cs. and B/S.

**Answer.**—*Gross* £6610 5 5; *Net* £619 13 3; *Total B/S.* £129020 19 4.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1902.)

**1.** You are appointed book-keeper to an old-established business which has recently been converted into a public Limited Company. Give rulings of any books which it would be necessary for the new Company to keep, other than the ordinary books of Account which are already in existence, and need no amendment.

**2.** What is a "Suspense A/c." ? Give a few examples :—(*a*) of legitimate purposes for which such an A/c. may be used ; (*b*) of errors which the abuse of a Suspense A/c. may cover.

**3.** The prospectus of Messrs. Black & Tan, Ltd., was publicly advertised on 21st Jan., 1902, with the following loan and share issues. *Debentures*—1000 4% Debentures of £100 each, the whole of which were offered and fully subscribed and paid up. *Preference Shares* :—20000 6% Preference Shares of £5 each ; the whole of which were offered and fully subscribed and paid up *Ordinary Shares* :—Nominal 30000 shares of £5 each ; of which 10000 shares were issued as fully paid to the vendors in part payment of the purchase price of the business. Of the remaining 20000 shares the public subscribed for 15000 shares, the whole of which were, in due course, fully paid up, with the exception of the last call of £2 per share on 500 shares, which were subsequently forfeited by resolution of the Directors. Pass the necessary entries through the Company's books to record these transactions, and state how they should appear in the B/S.

**4.** After writing up the P. & L. A/c., the general ledger balances of the Conservative Bank, Ltd., as on 31st Dec., 1901, were as follows :—Paid-up Capital £1500000 ; Cash at Bank of England and in hand £2600980 ; Customers' Current and Deposit A/cs. £17580000 ; Bills discounted, Loans and Advances £14482000 ; Freehold Premises £380000 ; Rebate on Bills Discounted ; not yet due, carried to next A/c. £24300 ; Reserve Fund £1200000 ; English Government Securities £1250000 ; other Government Securities £520000 ; P. & L. A/c. (undistributed balance) £110680 ; Securities pledged with Public Bodies £81000 ; Indian and Colonial Securities £1101000. On the same date (31st Dec., 1901) the acceptances on behalf of customers, and for which they were liable, appeared in the "Acceptances Book" of the Bank at £1725420. Prepare B/S. 31st Dec., 1901. (*B/S. Total* £22140400.)

**5.** State briefly the facts that would guide you in arriving at the proper amount of depreciation to provide for upon the Machinery and Plant used in a manufacturing business ; and set out the entries you would pass through the books to give effect thereto.

**6.** Messrs. Slander & Backbite own a small newspaper. Profits and losses are equally divided. Before the division of profits the following **adjustments** are necessary:—10% depreciation is to be written off Plant A/c., 20% off Type A/c., and 10% off Horses and Carts A/c. ; 5% provision is to be made for

Bad and Doubtful Debts; Six months' Int. at 5% is due upon the Bank Overdraft, and has not yet been passed through the books. **Stock** as on 31st Dec., 1901, was valued at £381. No interest is allowed upon Partners' Cap. A/cs., Backbite's smaller capital being compensated for by the fact that he gives more time to the business than his partner. Ledger **Balances** 31st December, 1901.

| | | | |
|---|---|---|---|
| Expenses of Branch Office | £129 | Trade and Incidental Expenses | £82 |
| Insurance A/c. | 34 | Cost of Literary Contributions | 898 |
| Rates, Taxes and Gas | 50 | Commissions paid | 152 |
| Postages A/c. | 182 | Stable Expenses | 121 |
| Carriage | 264 | Ink Purchases | 88 |
| Bad Debt Reserve (1st Jan., 1901) | 430 | Machine & Engine Room Exs. | 242 |
| Sales and Subscriptions (Newspaper Dept.) | 4852 | Audit Fee | 52 |
| Sales (Jobbing Dept.) | 848 | Law Charges | 124 |
| Advertisements A/cs. (Receipts) | 5540 | Bad Debts | 142 |
| Compositors' Wages | 2035 | Freehold Printing Works | 4950 |
| Reporters' Salaries | 798 | Additions to Freehold Premises during year | 150 |
| Paper Purchases | 2220 | Plant & Machinery | 4400 |
| Office Salaries | 748 | Type | 2900 |
| S.S.'s Capital A/c. | 9864 | Stock (1st Jan., 1901) | 342 |
| S.S.'s Drawing A/c. | 1040 | Horses & Carts | 194 |
| D.B.'s Capital A/c. | 7540 | Sundry Debtors | 8440 |
| D.B.'s Drawing A/c. | 952 | Cash in hand | 457 |
| Trade Creditors | 862 | Bank Overdraft | 1500 |
| Advertisements paid in advance | 750 | | |

**Answer.**—*Net Profit* £1849 2; *Cap. S.S.* £9748 11; *D.B.* £7512 11. *Total of B/S.* £20410 12.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1903).

**1.** The following books are in use in a printing business, and are properly kept upon the ordinary double-entry system :—Cash Book (bank items only), Petty Cash Book (for all Cash Payments), Purchases Journal, Sales Journal, two Personal Ledgers ("A," town debtors; and "B," country debtors), Bought Ledger, and Nominal Ledger. How would you re-arrange the system of book-keeping so that every ledger may be self-balancing?

**2.** Describe the steps you would take in order to prepare Trading, P. & L. A/cs., and B/S. from a set of books which had been kept by single-entry.

**3.** Below is the B/S. of the Blank Co., Ltd., on 31st Dec., 1902 :—

| | | | |
|---|---|---|---|
| Nominal Capital. | | Patents, at cost | £114663 |
| 100000 Pref. Shs. £1 ea. | £100000 | Leasehold Works | 3820 |
| 100000 Ordy. Shs. £1 ea. | 100000 | Machinery and Plant | 4120 |
| Issued Capital. | | Sundry Debtors | 1241 |
| 74720 Pref. Shs. fully pd. | £74720 | Stock on hand | 4921 |
| 42633 Ordy. Shs. fully pd. | 42633 | Advertising Suspense | 2000 |
| | £117353 | Preliminary Expenses | 406 |
| Sundry Creditors | 14000 | Profit & Loss A/c. | 1482 |
| Bank Overdraft | 1328 | Cash in hand | 28 |

The Company proved unsuccessful, and resolutions were passed to carry out the following scheme of reconstruction :—(*1*) That the £1 pref. shares be reduced to an equal number of fully paid shares of 10/- ea. (*2*) That the £1 ordy. shares be reduced to an equal number of fully paid shares of 6/8 each. (*3*) That the amount thus rendered available for the reduction of the assets

be apportioned as follows :—Preliminary Exs. P. & L. A/c. and Advertising Suspense A/c. to be written off entirely ; £1200 off the Leasehold Works ; £1400 off the Stock ; 20% off the Machinery and Plant, and the balance available to be written off Patents. Prepare B/S. giving effect to above.

**4.** Give suitable rulings for the Share Ledger of a Limited Company, and enter therein the following particulars :—John Smith, cork merchant, 440 Austin Friars, E.C., applied on 2nd Jan., 1902, for 150 ordinary shares of £1 each, and forwarded the necessary 2/6 per share with his application. On 12th Jan., 1902, John Smith forwarded a further 2/6 per share on being informed by the Company that 150 ordinary shares (numbered 1 to 150) had been allotted to him. On 10th March, 1902, a call of 5/- per share was notified by the Company and was duly paid by John Smith on his holding on 15th March, 1902. On 3rd April, 1902, John Smith sold 100 of his shares (numbered 1 to 100) to Wm. Brown, hatter, 488 Bond St., W., at 12/6 per share, the transfer being accepted by the Company.

**5.** Explain the difference (if any) between a "Revenue A/c.," an "Income and Expenditure A/c.," and a "Receipts & Payments A/c."

**6.** Prepare Trading, P. & L. A/cs. & B/S. of Wm. Pearson & Co., Ltd., on 31st Dec., 1902. Nominal Capital 50000 £1 shares. Provide 5% for doubtful debts ; write 10% off Machy. & Plant, and take £1000 to Reserve Fund. **Stock** 31st December, £6820.

| **Dr. Balances—** | | **Dr. Balances** continued— | |
|---|---|---|---|
| Unpaid Calls A/c. | £150 | Repairs | £174 |
| Cash in hand | 190 | Purchases | 41800 |
| Sundry Debtors | 3640 | Bad Debts A/c. | 191 |
| Cash at Bank | 1150 | Office Expenses | 124 |
| Machinery & Plant | 6000 | Int. paid on Debentures | 225 |
| Freehold Premises | 11500 | **Cr. Balances—** | |
| Stock (1st Jan., 1902) | 8890 | Share Cap. A/c. | 15000 |
| Manufacturing Wages | 12450 | Sundry Creditors | 1960 |
| Salaries | 1230 | Reserve Fund | 4000 |
| Carriage & Cartage | 395 | Mortgage Debenture A/c. | 4500 |
| Rates & Taxes | 111 | Discount A/c. | 48 |
| Insurance | 98 | Sales | 62850 |
| Trade Expenses | 382 | Unpaid Dividends | 252 |

**Answer.**—*Gross Profit* £6620 ; *Net Profit* £2956 ; *Total B/S.* £28518.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1904.)

**1.** Give suitable rulings for the Sales Journal of a wholesale business comprising three departments, viz. :—"Mantles," "Dress Materials," and "Felts." There are two Sales Ledgers in use, viz. :—"Town" and "Country," and each Ledger is kept upon the self-balancing principle. **2.** Upon being appointed book-keeper to the Whirlwind Automobile Co., Ltd., you find that 10 cars have been sent to various people for trial purposes, "on sale or return." These transactions, however, have been passed through the Company's books as actual sales at full list prices amounting to £3750. Is this correct ? If not, what rectification of the a/cs. would be necessary ? How should such transactions be treated in the Company's annual A/cs. as prepared for publication ?

**3.** Messrs. J. Silkstone & Co., Coal Merchants, of London, opened a branch business at Maidstone, on 1st Jan., 1903. From T.B. of the Maidstone Branch, prepare P. & L. A/c. and draft entries necessary to incorporate the figures below in the Head Office Books. Stock of coal at Maidstone £984.

| **Dr. Balances—** | | **Cr. Balances—** | |
|---|---|---|---|
| Sundry Debtors | £640 | Head Office Adjustment A/c. | £1574 |
| Horses, Carts, &c. | 280 | Coal Sales | 1750 |
| Salaries, Rent & Expenses | 620 | Sundry Creditors | 42 |
| Cash in hand | 78 | | |
| Coal invoiced from Head Office | 1748 | | |

**4.** Messrs. Black and White were equal partners in a retail boot shop. They decide to retire and dispose of their business as on 31st Dec., 1903, when their B/S. stood thus :—

| | | | |
|---|---|---|---|
| B. Black's Cap. A/c. | £3050 | Lease | £1250 |
| W. White's Cap. A/c. | 960 | Fixtures | 220 |
| Sundry Creditors | 480 | Sundry Debtors | 840 |
| | | Stock | 2060 |
| | | Cash at Bank | 120 |

The Lease and Fixtures were sold for £2700; the Cash received; and the Book Debts were collected, realising £752. The stock was sold by auction for £1340 after payment of commission and exs. The sundry creditors were paid off, £38 being allowed for discount. The expenses of realisation amounted to £87. As book-keeper to the firm, prepare whatever a/cs. may be necessary to show the result of the realisation and the amount received by each partner.

**Answer.**—*Net Profit* £373; *Received by Black* £3236 10; *White* £1146 10.

**5.** The books of Messrs. Wm. Jones & Co., were balanced on 31st Dec., 1903, and a P. & L. A/c. and B/S. prepared. The profit for the year, as shown by these a/cs. amounted to £2481 6s. 4d. The following mistakes had been made by the book-keeper during the year :—(**a**) a gas engine costing £450 had been debited to "Purchases Account" instead of to "Machinery and Plant," (**b**) an amount of £15 12s. 8d. received as a final dividend in the estate of G. Smith, the balance of whose a/c. had, in a previous year, been written off as a bad debt, was standing to the credit of a newly opened a/c. under the same name, and was included amongst the "Sundry Creditors" in the B/S. (**c**) a cheque amounting to £10 4s. 8d., which had been returned dishonoured, was posted to the debit of "Allowances A/c." instead of to the Account of A. Brown, from whom it was received. (**d**) Goods amounting to £52 1s. 4d. had been returned by R. Robinson, on 30th Dec., 1903, and were taken into stock, but the entries recording the return were not passed through the firm's books until 4th Jan., 1904. What adjustment would be necessary to rectify these errors, and how would they affect the above-mentioned profit ?

**6.** The Nominal Cap. of John Bolton & Co., Ltd., consists of 75000 Ordy. Shares of £1 each. The Co. is empowered to issue 250 Debentures of £1000 each at 4½%. Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1903. **Stock** £11840. (*a*) Write

10% off Machinery and Plant and 15% off Patents. (*b*) Provide 5% for Doubtful Debts. (*c*) Carry forward £50 paid for Fire Insurance in respect of unexpired period. (*d*) The directors voted a bonus of 5% on the Net Profit for division amongst the departmental managers.

| **Dr. Balances—** | | **Dr. Balances continued—** | |
|---|---|---|---|
| Stock (1st Jan., 1903) | £9875 | Patents A/c. | £1200 |
| Cash in hand | 60 | Sundry Debtors | 20140 |
| Cash at Bankers | 3104 | Dividend (paid on Ordy. Shs., 14th Feb., 1903) | 1875 |
| Purchases | 32960 | Unpaid Calls (Ordy. Shares) | 250 |
| Trade Charges | 982 | **Cr. Balances—** | |
| Wages | 19462 | Share Cap. A/c. (50000 issued 15/- per share called up) | 37500 |
| Salaries | 1291 | Calls paid in advance | 125 |
| Travelling Expenses | 871 | Mortgage Debentures | 10000 |
| Rates and Taxes | 321 | Sales | 61842 |
| Insurance (Fire) | 195 | Reserve Fund | 6800 |
| Discount A/c. | 829 | Sundry Creditors | 11861 |
| Returns from Customers | 1482 | Returns to Creditors | 3421 |
| Bad Debts written off | 348 | Bad Debts Reserve | 940 |
| Interest paid on Debentures | 450 | P.&L.A/c.(Bal.31st Dec.,1902) | 3286 |
| Freehold Land and Buildings | 22280 | | |
| Machinery and Plant | 17800 | | |

**Answer.**—*Gross Profit* £13324 ; *Net Profit* £6060 ; *Bal. c/f.* £7168.

## LONDON CHAMBER OF COMMERCE. (*Senior*, 1905).

*Senior Candidates must not attempt question 6 or 7, and Candidates for the Teachers' Diploma must not attempt 1 and 4.*

1. Briefly explain the principles of the "Columnar" or "Tabular" system of book-keeping. Illustrate the advantages of this system by means of *pro formâ* rulings of a cash book, or other book of first entry, suitable for use in a small hotel.

2. The Weyside Co., Ltd., was formed to purchase the business of Richard Blank, and was registered with a capital of £200,000 in 200,000 shares of £1 each, which was divided into 100,000 ordinary shares and 100,000 6% preference shares. The whole of the preference and 52,000 of the ordinary were offered for public subscription, payable in both classes of shares, as follows :—2/6 per share on application, 2/6 per share on allotment, 5/- per share on 15th Jan., 1905 (1st call) ; 5/- per share on 15th Feb., 1905 (2nd call) ; the balance as and when required. The whole of the shares offered to the public were applied for and allotted in due course ; the balance of the ordinary shares being issued as fully paid to the vendor as part purchase price of his business. 500 ordinary shares applied for by John Smith, upon which the application money only had been paid, were subsequently forfeited in accordance with the Articles. Make the entries necessary to record the above and show how they would appear in the B/S.

3. In closing the books of Robert Sawyer you find the undermentioned. How would you deal with these transactions when preparing the annual A/cs. for the year ended 31st Dec., 1904 ? (1) Fire Insurance Premium £50, paid on 30th June, 1904, covering the twelve months to 30th June, 1905. (2) Salaries £125, accrued due to A, B, and C, but not yet drawn by them. (3) R. Robinson paid £100 in advance in full settlement for work

which was being executed for him under a contract. The cost of the work completed up to 31st Dec., 1904, amounted to £39, when it was estimated that half the contract had been completed. (4) Patents account showed a debit balance of £557 7s. This amount consisted of Patent rights, 6 years to run, purchased for £550, and renewal fees for the year 1904, £7 7s. (5) Three years ago Robert Sawyer bought a milling machine for £200, and depreciation, at the rate of 10% upon the diminishing balance, has been written off each year; the same machine, however, can now be bought for £120 owing to improvements in the manufacture.

**4.** What is the difference, if any, either in result or in method of preparation, between a "B/S." and a "Statement of Affairs"?

**5.** Set out below are the ledger balances, as on 31st Dec., 1904, of the Sylhet Tea Plantations, Ltd. Prepare P. & L. A/c. and B/S. The nominal cap. of the Co. consists of 20000 ordinary shares of £10 each. No stock on 1st Jan., 1904, but on 31st Dec., **Stock** of tea £3854. **Adjustments**:—(1) Make a provision of 5% for Bad and Doubtful Debts. (2) Provide for depreciation on Plant and Machinery at the rate of 10%. Carry £3000 to the Reserve A/c.

| **Dr. Balances**— | | **Dr. Balances** continued— | |
|---|---|---|---|
| Plantations (Land in Sylhet and Buildings thereon) | £184000 | Directors' Fees | £350 |
| Sundry Debtors | 8400 | London Office (Sals. & Exs.) | 1021 |
| Plant & Machinery | 3700 | Auditors' Fees | 52 |
| Div. paid 30th June, 1904 | 8100 | Freight Charges | 2035 |
| Wages (European) | 4400 | Managers' Commission | 1030 |
| Wages (Native) | 9527 | Calcutta Agency Expenses | 1745 |
| Crop Expenses | 3200 | Cash in hand | 122 |
| Manufacturing Expenses | 2480 | **Cr. Balances**— | |
| Boxes purchased (the whole to be written off during year) | 672 | Share Capital (issued 16200 Shares of £10 each, fully paid) | 162000 |
| Rent & Taxes | 543 | Reserve | 5000 |
| Machinery Repairs | 423 | Sundry Creditors | 8851 |
| General Charges | 331 | B/P. | 8010 |
| Hospital Expenses | 1565 | Bank Overdraft | 1870 |
| Marine Insurance | 248 | P. & L. A/c. (undistributed balance as on 1st Jan.) | 10500 |
| Fire Insurance | 120 | Tea Sales | 37860 |
| Law Charges | 32 | Transfer Fees | 5 |

**Answer.**—*Gross Profit* £22107; *Net* £11155; *Balance* £10555.

**6.** Smith, Brown & Robinson enter into partnership as equal partners for the purpose of purchasing the business of Peter White, who is retiring, on 1st Jan., 1905, upon the basis of the last B/S., which was as follows:—**Liabilities**:—Capital £20540; Sundry Creditors £3218; Reserve for depreciation £608; **Assets**: Leasehold Factory £12540; Machinery and Plant £8200; Patents £600; Sundry Debtors £1560; Stock £1458; Difference in Books £8. The purchase price of the business was agreed at £25000 which was paid to White. Cash was paid into the new firm's banking A/c. by the partners as follows:—Smith £12000; Brown £10000; Robinson £6000. Before opening the books of the new firm it was agreed (a) to transfer the Reserve for Depreciation to Machinery and Plant A/c., and to write off a further £200 as

depreciation, and (b) to write off £200 from Patents. Record the transactions in the books of the new firm, prepare B/S. disclosing the position of Smith, Brown & Robinson on commencing business. (*B/S.* £31218.)

7. A London Company, owning a mine in India, receives monthly cash statements, in Indian currency, from its local manager. How would you pass these returns into the company's books, and effect the necessary conversion into sterling? Illustrate your answer by means of rulings of the book or books you would suggest, and enter therein six imaginary transactions.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1906.)

1. Briefly describe the uses of the Journal: and give particulars of the entries you would expect to find in the Journal of a business in which the "Sales" and "Bought" Ledgers were balanced independently, by means of adjustment a/cs.

2. Profit & Loss A/c. of John Brown,

Dr. Dairyman, for year ended 31st December, 1905. Cr.

| To Office Salaries | £857 | By Balance from Trading A/c. | £2299 |
|---|---|---|---|
| „ Rent (1 year) | 200 | „ Provision for Bad Debts— | |
| „ Taxes Sch. D. paid for 1905-6 | 56 | Amount reserved— | |
| „ Trade Expenses | 532 | 31st Dec., 1904 ....£321 | |
| „ Insurance (fire) | 42 | Amount reserved— | |
| „ Travelling Expenses | 86 | 31st Dec., 1905 ....£277 | |
| „ Depreciation on Plant at 15% | 96 | | 44 |
| „ Bad Debts written off | 113 | | |
| „ Discount A/c. | 36 | | |
| „ *Net Profit* | 325 | | |
| | £2343 | | £2343 |

Prepare an a/c. for submission to the Income Tax Surveyor, and show the amount upon which Brown will have to pay tax (1/- in the £) for the year 1906-7. The profits of the business in previous years, as agreed with the Surveyor, prior to any allowance for wear and tear of plant, were as follows:—To 31st Dec., 1902, £2062; 1903, £1250; 1904, £786. Has Brown any grounds for claiming a Repayment of Tax for the year 1905-6? (*Entitled to return on* £314 6 8.)

3. You are instructed to organise the book-keeping department of a small factory. What books of a/c. would you advise as necessary, and what rules would you lay down for the guidance of the staff and to ensure that the books are kept accurately and well up-to-date? Assuming that the clerks are three in number, mention what duties you would allot to each.

4. In preparing the P. & L. A/c. of a manufacturing firm, what different methods are there of providing for the waste of an asset owing (*a*) to wear and tear, as in the case of machinery; or (*b*) effluxion of time, as in the case of a building, erected upon leasehold land? What method do you favour for providing for such waste, and why? State briefly what entries would be required to carry your suggestions into effect?

5. A. F. Walters and J. B. Smith are in partnership as pipe manufacturers, the former taking $\frac{2}{3}$rds. and the latter $\frac{1}{3}$rd of profits. They also rent and work a retail shop. The shop manager sends in weekly returns of all transactions, and these are duly incorporated in the books of the head office. Prepare Trading A/c. showing the working results of the shop; also Trading, P.

& L. A/cs. and B/S. for the year ended 28th Feb., 1906. **Stocks** at Factory £3105, at Shop £470. The goods supplied by the factory to the shop were priced out at £4199 cost price. **Adjustments**:—(*a*) Interest on Cap. at 5%, (*b*) Reserves for: Rent, Rates, &c. A/c. (factory) for rent accrued due 28th Feb., £78; Ditto shop, 2 mos. rent due 28th Feb. (the annual rent being £360); Audit Fee £36, (*c*) Manager is entitled to commission at 2% on the gross profit realised by the shop, (*d*) Plant and Machinery to be depreciated at 10%; Fixtures and Fittings at 5%, (*e*) Provision for Bad and Doubtful Debts at 2½%.

| **Dr. Balances**— | |
|---|---|
| Plant & Machinery | £3280 |
| Fixtures & Fittings (factory) | 620 |
| Purchases | 11780 |
| Manufacturing Wages | 6433 |
| Manufacturing Expenses | 891 |
| Rent, Rates, Taxes, Light & Insurance (factory) | 360 |
| Ditto. (shop) | 423 |
| Stock 1st Mar., 1905 (factory) | 3828 |
| Ditto. ditto. (shop) | 747 |
| Cash Purchases (shop) | 62 |
| Travellers' Commission (fcty.) | 152 |
| Office Salaries (factory) | 280 |
| Office Exs., postage, &c. (facty.) | 395 |
| Law Exs. & Audit Fee (facty.) | 41 |
| Bad Debts (factory) | 8 |
| Sundry Debtors | 2520 |
| Furniture, Fixtures & Fittings (shop) | 980 |

| **Dr. Balances** continued— | |
|---|---|
| Bills Receivable | £2000 |
| Salaries of Manager and Shop Assistant | 266 |
| A. F. Walker's Drawings | 1212 |
| J. B. Smith's Drawings | 606 |
| Cash at Bank | 2512 |
| Cash at Factory | 7 |
| Cash at Shop | 50 |
| **Cr. Balances**— | |
| A. F. Walker's Cap. A/c. | 6200 |
| J. B. Smith's Cap. A/c. | 3500 |
| Sales (factory) | 19353 |
| Sales (shop) | 7538 |
| Sundry Creditors | 2428 |
| Discount (factory) | 282 |
| Reserve for Bad Debts as on 1st March, 1905 | 74 |
| Bills Payable | 78 |

**Answer.**—*Profit on Shop* £3000; *Gross Profit* £6725; *Net* £3966; *Bal. of Cap. A/cs. A.F.W.* £7942; *J.B.S.* £4391; *Total B/S.* £15073.

**6.** Prepare Statement of Affairs and Deficiency A/c. of Samuel Hobson. Sundry Debtors:—Good £1280; Doubtful £2800 (estimated to produce £1000); Bad £700; Sundry Freehold Houses, &c., £3300 (estimated to produce £2000); 1000 Ordinary Shares in the Cable Telegraph Co. valued at par £1000; Mining and Railway Shares £9450 (£2500 are held as security by partly secured creditors, and the balance by fully secured creditors). Cash at Bank £420; B/R. (good) £800; Loss through the unsuccessful defence of an action at law £5420; Business Exs. £3200; Preferential Claims for Salaries and Rent £500. Creditors:—Unsecured £16740; Partly secured £5420; Fully secured £3110; Private drawings £1200; Hobson's Capital A/c. £3800. (*Deficiency* £9820.)

**7.** What books, in addition to the ordinary Books of A/c., do you consider a manufacturer should keep in order to enable him to prepare a complete system of Cost A/cs.? What information do you consider that such a system would provide?

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1907.)

**1.** The Chilworth Motor Co., Ltd., registered in 1903, with nominal Capital of 200,000 6% Preference Shares £1 each, and 200,000 Ordinary Shares £1 each. During the year 1903, the whole of the Pref. Shares and 100,000 of the Ord. Shares were issued to the public and fully paid up, with the exception of

£100 calls in arrear on the Ord. Shares. The Co. was very successful and, during the year, 1906, offered the balance of the Ord. Shares to the public at a premium of 10/- per share. All the issue was taken up and duly allotted, payable as to 12/6 per share on application (including the premium), and 7/6 per share one month after allotment. No further calls were made during the year. Set out the Cap. of the Co., as it would appear in the B/S. as on 31st December, 1906.

2. Set out below is a statement prepared by Mr. J. Brown, a Cigarette Manufacturer, claiming to show the result of his year's trading, 31st December, 1906. Do you approve of the statement ? Give brief reasons in support of your views.

| | | | |
|---|---|---|---|
| To Capital | £2659 | By Plant & Machinery | £5059 |
| ,, Sundry Creditors | 9850 | ,, Furniture & Fittings | 187 |
| ,, Loan | 2000 | ,, Goodwill | 1500 |
| ,, Bank Overdraft | 2000 | ,, Stock | 6451 |
| ,, Balance, being Profit for the year | 1591 | ,, Sundry Debtors | 4484 |
| | | ,, Cash in hand | 19 |
| | | ,, J. Brown, Private Drawings | 400 |

3. How would you deal with the undermentioned items when preparing the annual a/cs. of a limited Co. ? (*1*) Transfer of £5000 to Reserve Fund. (*2*) £750 commission and expenses incurred in the issue of £8000 4% debentures repayable in 8 years from date of issue. (*3*) Transfer of £3500 to the Company's own Marine Insurance Fund. (*4*) An issue of 100 5% debentures of £100 each @ 95, repayable in 10 years from the date of issue at par.

4. Set out below is the B/S. as on 31st December, 1906, of Messrs. Black & White who are equal partners :—

| | | | |
|---|---|---|---|
| To Capital— | | By Land & Buildings | £22065 |
| J. Black | £30000 | ,, Machinery & Plant | 12800 |
| W. White | 20000 £50000 | ,, Stock | 10760 |
| ,, Sundry Creditors | 3700 | ,, Sundry Debtors | 4250 |
| | | ,, Cash at Bank | 2750 |
| | | ,, Investments | 1075 |

A limited Co. with a nominal Cap. of £100,000 in Ord. Shares of £1 each, was formed to acquire and carry on the business. The vendors guaranteed the book debts, and agreed to pay off the creditors. The Co. took over the whole concern with the exception of the cash and investments, the purchase price being agreed at £60,000. The vendors were paid as to £50,000 in fully paid Ord. Shares, and as to the bal. in cash. The bal. of the Share Cap. was taken up by the public and fully paid up. Show the entries to close books of the old firm, and to open those of the new Co.

5. Prepare Trading and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1906, of the Postford Manufacturing Co., Ltd., the nominal Cap. consisting of 40,000 5% Pref. Shares of £1 each, and 10,000 Ord. Shares of £1 each. No dividend was paid for the year ended 31st Dec., 1905, on either class of share. The Company's books were balanced as on 31st Dec., 1906, **Stock** being valued at £9050. Provide 5% for bad and doubtful debts. Depreciate Plant and Machinery 10%, Boiler and Heating Plant 10%, Loose Tools 20%. Write off one-third of the Cost of New

Catalogue and one half of the Repairs a/c. against the current year, carrying the balances of these a/cs. to next year. Ledger Balances :—

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Purchases | £15345 | Sundry Debtors | £9847 |
| Buildings | 24054 | Goodwill | 4000 |
| Fuel | 485 | Unpaid Calls | 50 |
| Plant & Machinery | 5654 | Cost of New Catalogue | 300 |
| Boiler & Heating Plant | 592 | Cash in hand | 10 |
| Repairs | 472 | **Cr. Balances—** | |
| Loose Tools | 1856 | Sales | 37950 |
| Office Expenses | 362 | Res. for Bad and Doubtful Debts as on (31/12/05) | 250 |
| Wages | 13671 | Loan on Mortgage (charged on above premises) | 8500 |
| Discount | 83 | Sundry Creditors | 10960 |
| Salaries | 1062 | P. & L. A/c. (bal. from 1905) | 206 |
| Postages & Telegrams | 116 | Preference Share Capital | 17520 |
| Rates & Taxes | 239 | Ordinary do. | 8000 |
| Travelling | 317 | Bills Payable | 2100 |
| Interest & Bank Charges | 402 | Bank Overdraft | 2721 |
| Directors' Fees | 300 | | |
| Stock (1st Jan., 1906) | 8990 | | |

**Answer.**—*Gross* £8994 ; *Net* £4053 17 ; *Total B/S.* £54010 17.

**6.** The Birget Engineering Co., Ltd., purchased certain patents from Short & Sharp, under an agreement dated 30th June, 1906, at a cost of £40,000. £1000 of this sum was to be paid to the vendors in cash, and the balance in fully paid £10 Ord. Shares. Including the Shares allotted as fully paid to the vendors, the Co. issued Cap. to the extent of £75,000, consisting of £50,000 in Ord. Shares of £10 each (£1 on application, £4 on allotment, and £5 at the end of 3 months), and £25,000 in 5% Pref. Shares of £5 each (£1 on application, £2 on allotment, and £2 at the end of 3 months). Under the agreement with Short & Sharp, the patents passed to the Co. on 9th July, 1906, which date was also the date of allotment. All the shares issued to the public were fully subscribed and duly paid for with the exception of £200 calls in arrear on the Pref. Shares. All cash was paid direct to the Company's Bankers. Make the entries in the books of the Co. to give effect to the above and show how they would appear in the Company's first B/S.

**7.** In a business consisting of many departments (*e.g.* Co-operative Stores) how would you suggest that the Stock A/c. should be kept and Stocks recorded, so as to minimise the danger of a false return by the manager on the one hand, and to prevent pilfering on the part of dishonest employees on the other ?

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1908).

**1.** The Birchets Mineral Water Co., Ltd., sends out cases of aerated water to chemists in various parts of the country "on sale or return." Each chemist is at once debited in the Company's books with the water supplied at the price he is to obtain for it when sold, and is allowed to deduct 10% from this value when accounting for his sales. The personal accounts of all chemists so supplied are included in the ledger balances at the end of the year. How would you deal with these a/cs. when preparing the Company's P. & L. A/c. and B/S.

**2.** The London and Westminster Grocery Co., Ltd., has a retail branch in Manchester, which is supplied with all goods from London. The branch shop keeps its own sales ledger, receives cash against ledger a/cs., and remits the whole of the cash received daily to the Head Office. All wages and branch exs. are drawn for by cheque weekly from the Head Office upon the imprest system. From the undermentioned particulars supplied by the branch manager show how the branch a/cs. would appear in the Head Office books and prepare a P. & L. A/c. for the branch shop for the six months to 31st Dec., 1907.

| | |
|---|---|
| Six months Credit Sales | £2387 |
| Returns inwards | 20 |
| Cash received on Ledger Accounts | 2384 |
| Cash Sales | 1214 |
| Stock, 1st July, 1907 | 720 |
| Stock, 31st Dec., 1907 | 1121 |
| Debtors, 1st July, 1907 | 1227 |
| Goods received from Head Office | 2178 |
| Rent, Taxes, etc., paid | 375 |
| Wages and Sundry Expenses paid | 396 |

**Answer.**—*Gross Profit* £1804; *Net* £1033.

**3.** J. Moss & Co., of London, consign goods to the cost amount of £1500 to their agent, J. Solomon, Hong Kong, on which they pay freight, insurance, and charges £55, drawing on him at 90 days for £1300. They discount the bill at Lloyds Bank, being charged £15 therefor. They receive A/S. of the consignment for £1729, less Agent's Com., etc. £71, and a draft on the bank of Hong Kong for the balance. Make the entries in the books of Moss & Co.

**4.** An English Company owns a Tea Plantation in Ceylon. All the tea produced is shipped to a London firm of tea brokers who duly furnish A/S. and remit proceeds to the London office of the Company. The a/cs. of the detailed expenditure in Ceylon are kept in Indian currency and are sent to the Head Office in London monthly. The A/S. and the a/c. of the remittances to Ceylon are kept in sterling. What method would you adopt for dealing with the two currencies employed when writing up the Head Office books?

**5.** The Chiddingfold Manufacturing Co., Ltd., was registered with a nominal cap. of £100000, divided into 50000 6% Pref. Shares of £1 each, and 50000 Ord. Shares of £1 each. The books of the Co. were balanced as on 31st Jan., 1908, on which date a T/B., containing the following balances, was extracted. Before closing the books the following adjustments are necessary:—Telephone rent paid in advance £25; Travellers' Commission owing £342; Rent due £379; Insurance unexpired £541; Reserve for discounts, &c., on Sundry Debtors £500; Write off the following Depreciations:—Machinery and Plant 10%; Carts and Horses £214. The **Stock** on hand as on 31st Jan., 1908, was valued at £34839. The Directors decide to write off the whole of the Building A/c. and to transfer £7000 to Reserve A/c. from the profits of the year. Prepare Trading, P. & L. A/cs. and B/S. to 31st Jan., 1908.

| Dr. Balances— | |
|---|---|
| Carriage, Dock Dues & Freight | £4773 |
| Advertising | 649 |
| Fuel, Lighting and Water | 2163 |
| Postage and Incidentals | 590 |
| Catalogues and Price Lists | 416 |
| Packing | 542 |
| Machinery Repairs | 177 |
| Stable Expenses | 913 |
| Office Exs., Staty. & Telephone | 1022 |
| Debenture Interest | 855 |
| Directors' Salaries | 1095 |
| Buildings A/c. | 903 |
| Machinery and Plant A/c. | 8750 |
| Stock on hand, 1st Feb., 1907 | 38672 |
| £5000 Consols (at cost) (Investment of Employees' Superannuation Fund) | 4360 |
| Cash in hand | 210 |
| Horses and Carts | 720 |
| Purchases | 102664 |
| Factory Wages | 12704 |
| Salaries & Travellers' Comm. | 10691 |
| Dr. Balances continued— | |
| Rents, Rates, Taxes & Insce. | £3173 |
| Sales Returns | 6619 |
| Discount A/c. | 2762 |
| Bad Debts written off | 203 |
| Bank Charges & Interest | 42 |
| Legal Exs. and Audit Fee | 418 |
| Company's Contribution to Superannuation Fund | 516 |
| Debtors per Sales Ledger | 19876 |
| Cash at Bank | 5784 |
| Cr. Balances— | |
| Ordinary Share Cap. A/c. | 5000 |
| Pref. Share Cap. A/c. | 20000 |
| Debenture A/c. (200 of £100 each at 4½%) | 20000 |
| Employees' Superannuation Fund | 4360 |
| Transfer Fees | 1 |
| Purchases Returns | 3748 |
| Sales | 174493 |
| Creditors per Bought Ledger | 4340 |
| Bills Payable | 320 |

**Answer.**—*Gross Profit* £47648; *Net* £19291; *Total B/S.* £73516.

**6.** On 1st Jan., 1907, A owes B £6000 for which B receives two acceptances from A, one for £2000 payable in two months, the other for £4000 payable in four months, in each case from 1st Jan., 1907. B duly discounts both these acceptances with his bankers on 3rd Jan., 1907, at 4%. Before the first bill becomes due A requests B to assist him in taking it up by providing him with £1000 in cash, and drawing a third bill on A for that amount at three months from the due date of the first bill plus interest at 5% per ann.; B agrees to this proposal and advances the money, discounting the bill with his bankers at 4%. A week before the second bill for £4000 falls due A again asks B to assist him to the extent of £2500. B however is not in a position to do this, as his bankers will not discount any more of A's acceptances, he arranges with A to draw on him (B) two bills for £1131 16 8 and £1408 3 4 at two months and three months respectively from the due date of the £4000 bill. B duly accepts these two bills and remits them to A, who discounts them with his bankers at 4%, and assisted by the proceeds, duly meets the £4000 bill. B also meets his two bills on maturity. On 7th June, 1907, A becomes bankrupt, leaving his third bill unpaid. Make the entries in B's books.

**7.** State briefly how you would explain to a Book-keeping class the principles of the "Double Account" system, and enumerate some classes of undertakings to which it is applicable.

## LONDON CHAMBER OF COMMERCE. (*Senior*, 1909.)

**1.** A limited Company was formed to take over an old established manufacturing business. The purchase price was fixed, by an agreement dated 1st Jan., 1909, at £60000, payable as follows :—

£25000 in £1 Ordinary Shares of the Co. issued as fully paid.
£25000 in 5% Debentures, repayable in 1919 at 105.
£10000 in Cash, payable on 1st February, 1909.

The Co. was duly registered with a nominal capital of £100000, consisting of 100000 Ordinary Shares of £1 each. On 15th January, 1909, 15000 Ordinary Shares were issued to the public and fully paid up with the exception of £150 calls in arrear upon the allotment call. The following is a list of the assets and liabilities taken over by the Co. :—Sundry Creditors £10000 ; Bills Payable £5000 ; Sundry Debtors £20000 (Less Reserve for Bad Debts £1500)—£18500 ; Stock-in-Trade £10000 ; Machinery and Plant £25000 ; Loose Tools £4000 ; Bills Receivable £2500 ; Cash at Bank £5000. Make the Journal Entries necessary for opening the Co.'s books and the entries required to record the issue of shares to the public, assuming that 10/- per share is payable on application and 10/- per share on allotment.

2. Jones, for the mutual and temporary accommodation of himself and Brown, draws upon the latter a bill of exchange at three months for £600, dated 1st January, 1908. Jones discounts this bill immediately at his bankers, the rate of discount being 5%, and hands half the proceeds to Brown. Brown, for a similar purpose, and at the same time, draws a bill at three months on Jones at £300. This he discounts at his bankers at 5%, and hands half the proceeds to Jones. Brown becomes a bankrupt on 31st March, 1908, and a first and final dividend of 5/- in the £ is paid on his estate on 30th June, 1908. Write up Brown's A/c. in Jones' books. Assume, in each case, that one half of the charge for discounting the bill is chargeable to Brown and one half to Jones.

3. You are preparing the Balance Sheet of a Limited Company of which you are the chief accountant, and find that there are bills under discount amounting to £10750. On going through the books you discover facts which point to the probability that £1000 worth of these bills will be dishonoured on maturity, but that there is a reasonable chance of eventually receiving 10/- in the £ on the £1000. How would you deal with these bills under discount, and how should they appear in the Co.'s published accounts ?

4. Robinson, on 31st August, 1907, buys from Tuck & Co., 150 tons of coal at 7/6 a ton at the pit mouth, and pays for them at once by cheque, being allowed a discount for cash of $2\frac{1}{2}\%$. He pays 1/3 a ton for carriage by rail and 9d. a ton for cartage. He sells the coal to a Sheffield Manufacturing Co. at 12/6 a ton on 14th September, and draws a bill, at two months, for the amount. The bill is dishonoured at maturity, but is immediately paid by the Manufacturing Co. upon demand being made to them. Draw the bill of exchange and make the entries necessary to record the above transactions in Robinson's books, and show what profit or loss Robinson made upon the deal after charging 10% on the original cost of the coal for establishment expenses.

5. The Engine & Motor Co., Ltd., has a nominal capital of £100000, divided into 75000 ordinary shares of £1 each and 2500 6% cumulative preference shares of £10 each. The books of the

Co. were balanced on 31st March, 1908, on which date a T/B., containing the following balances, was extracted. Before closing the books the following adjustments are necessary :—(1) A portion of the premises has been sublet, since 1st January, 1908, at £80 per ann., and the rent due to date has not been paid or passed through the books ; (2) The Insurance unexpired amounts to £30 ; (3) 11 months only of the Office Salaries have been paid ; (4) Make the Reserve for Bad Debts equal to an amount representing 5% on the Sundry Debtors (excluding sundry debtors for rent) ; (5) Write off the whole of the Preliminary Expenses ; (6) Write off the following depreciations :—(*a*) Plant and Machinery 10% ; (*b*) Office Furniture 10% ; (*c*) Patterns 15% ; (*d*) Patents 20%. **Stock** on hand on 31st March, 1908, was valued at £23995, and the Loose Tools at £2730. Prepare Trading, P. & L. A/cs. and B/S. to March, 1908.

| **Dr. Balances—** | |
|---|---|
| Freehold Premises | £12675 |
| Plant & Machinery | 11595 |
| Calls in Arrear | 2000 |
| Stock, 31st March, 1907 | 14665 |
| Office Furniture | 545 |
| Loose Tools, 31st Mar., 1907 | 3125 |
| Patterns | 3155 |
| Patents | 1535 |
| Goodwill A/c. | 3000 |
| Sundry Debtors | 31215 |
| Cash at Bank, Current A/c | 985 |
| Cash at Bank, Deposit A/c | 10000 |
| Cash in hand | 45 |
| Sales Returns | 975 |
| Purchases | 71245 |
| Manufacturing Wages | 25595 |
| Repairs & Renewals of Plant | 1245 |
| Coal | 2765 |
| Gas and Water | 475 |
| Rates, Taxes & Insurance | 865 |
| Office Salaries | 750 |

| **Dr. Balances** continued— | |
|---|---|
| Trade Expenses | £2165 |
| Bad Debts written off | 615 |
| Directors' Fees | 300 |
| Carriage | 4155 |
| Audit Fee & Legal Expenses | 205 |
| General Expenses | 945 |
| Discounts allowed | 1235 |
| Preliminary Expenses | 350 |
| Travelling Expenses | 465 |
| **Cr. Balances—** | |
| Ordy.ShareCap.(50000shares) | 50000 |
| Pref. Share Cap. (2500 shares) | 25000 |
| P.& L.A/c. (Bal.31stMar.,07) | 1545 |
| Sales | 107015 |
| Purchases Returns | 1675 |
| Sundry Creditors | 12805 |
| Bills Payable | 8765 |
| Res.forBadDebts(31stMar.07) | 1165 |
| Interest on Bank Deposit A/c. | 45 |
| Discounts Received | 875 |

What dividend, if any, would you recommend the Directors to propose taking into consideration that the dividend on the Pref. Shares for the year ended 31st March, 1907, has not been paid ?

**Answer.**—*Gross Profit* £16050 ; *Net* £1787 ; *Total B/S.* £97970.

6. A Limited Company has a nominal capital of £250000, in 25000 shares of £10 each. Of these, 4000 shares were issued to the vendors as fully paid, 8000 shares were subscribed for by the public, and during the first year £5 per share was called up. 2000 were issued, as fully paid, to persons other than the vendors, in payment for property purchased. On the 8000 shares subscribed for by the public there had been paid at the end of the first year :—On 6000 Shares, the full amount called ; on 1250 Shares, £4 per share ; on 500 Shares, £3 per share ; on 250 Shares, £2 per share. The Directors forfeited the 750 Shares

on which less than £4 had been paid. You are required to submit the Journal Entries recording the capital transactions of the Co., and to set out the capital as it should appear in the Co.'s B/S. at the end of the first year.

7. Describe briefly the books of account which you would expect to find in use in a bank. State what the "General Ledger" of a bank should contain, and what information you would expect it to afford.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1910.)

1. What is the difference (if any) between "Fixed" and "Floating" Assets? Designate to which class the undermentioned assets, the property of a boot manufacturer, belong :— Book debts ; stock-in-trade ; consols £200 ; plant and machinery ; freehold land ; bills receivable ; goodwill ; patents.

2. Prepare the return, for income tax assessment under Schedule (D), for the current year relating to the business of Boorman & Bashall who share profits equally. The P. & L. A/cs. showed the following :—1907 profit £3219 ; 1908 profit £1294 ; 1909 profit £1984. Before arriving at the above profits the following items were charged in the a/cs. :—

| | 1907. | 1908. | 1909. |
|---|---|---|---|
| Interest on Capital ..... | £490 | £510 | £520 |
| Income Tax, Schedules (D) & (A) | 67 | 72 | 84 |
| Partners' Salaries ..... | 300 | 300 | 300 |
| Depreciation of Plant ..... | 150 | 165 | 151 |
| Charitable Donations ..... | 15 | 16 | 20 |

The firm's premises are freehold and are assessed for Property Tax, Schedule (A) at £600 per ann. The surveyor of taxes declines to allow the above provisions for depreciation, but agrees to an annual allowance of £100 for wear and tear. Mr. Bashall holds a policy of assurance, with a British office, upon his own life, the annual premium upon which is £56. (*Assessment of Firm on* £2463.)

3. Robert Webber keeps his books by the "single-entry" method. His position on 31st Dec., 1908, was as follows :— Cash in hand £12 10 ; Cash at Bank £153 ; Stock-in-Trade £642 15 ; Sundry Debtors £421 10 ; Fixtures and Fittings £89 ; Machinery and Plant £981 ; Sundry Creditors £1209 15. During the year Webber withdrew from the business, for private purposes, the sum of £480. On the 31st Dec., 1909, Webber's position was as follows :—Machinery and Plant £1350 10 ; Fixtures and Fittings £80 10 ; Sundry Debtors £732 ; Stock-in-Trade £950 10 ; Cash in hand £15 ; Bank Overdraft £500 ; Sundry Creditors £1400 10. From the above, prepare a Statement showing the profit made by Webber for the year ended 31st Dec., 1909. No depreciation need be written off any of the assets, and no provision for bad and doubtful debts is necessary.

4. What is an "Account Sales?" In what particulars (if any) does it differ from a "Consignment A/c.?" On 15th Oct., 1909, Delmaine Bros., of London, shipped to Donnison & Sons, of Port Elizabeth, 60 cases of mixed Sheffield goods. These

goods were invoiced *pro formâ* at £32 10 per case. The London payments in connection with this consignment were :—Insurance £10 12 ; Freight £54 12 ; Sundry charges £3 15. The payments made by Donnison & Sons in South Africa, were :—Storage £16 12 ; Landing charges £6 10 ; Insurance £2 11. On 15th Dec., Donnison & Sons sold 30 cases of goods at £45 per case, on 17th Dec., 25 cases at £50 per case, and on 19th Dec., the balance of the consignment at £51 per case. All the above sales were effected for prompt cash. A commission is payable to Donnison & Sons of 2% on all sales plus 1½% *del credere* commission. On 1st Nov., Delmaine Bros., drew a Bill on Donnison & Sons for £1000, which was duly accepted. Prepare an "Account Sales" showing the result of the above consignment, and show the transactions in Delmaine Bros. books.

**5.** The Wayside Boot Co., Ltd., was registered with a Nominal Capital of £50000, divided into 10000 Preference Shares of £1 each, and 800000 Ordinary Shares of 1/- each. Before closing the books the following adjustments are necessary :—One month's carriage is owing and has not been passed through the books £472 ; Rent due to landlord but not provided for £150 ; Value of Unexpired Insurance Premium £197 ; Wages paid in advance £84 ; Reserve to be created for Bad Debts £750 ; Write off the following depreciations :—Machinery and Plant 10% ; Horses and Vans £146 ; Land and Buildings 2½% ; **Stock, 31st** Dec., 1909 :—Finished Goods £13241 ; Raw Materials and Unfinished Goods £5192. Prepare Trading, P. & L. A/cs. and B/S. to 31st Dec., 1909.

| **Dr. Balances—** | |
|---|---|
| Goodwill A/c. | £5000 |
| Pension Fund Investments | 4540 |
| Stable Expenses | 421 |
| Machinery & Plant A/c. | 7455 |
| General Expenses | 939 |
| Cost of Trade Catalogues | 256 |
| Bank Charges | 17 |
| Company's Contribution to Pension Fund | 500 |
| Bonus paid to Employees | 763 |
| Gas, Electricity and Water | 1567 |
| Manager's Salary | 1500 |
| Purchases | 97651 |
| Directors' Fees | 250 |
| Boxes & Packing | 674 |
| Discounts allowed | 1251 |
| Sales Returns | 946 |
| Carriage | 3460 |
| Stock in hand, 1st Jan. :— | |
| Finished Goods | 11264 |
| Materials & Unfinished Goods | 8457 |
| Cost of Repairs to Machy. & Plant | 293 |
| Debtors as per Sales Ledger | 16245 |
| Bad Debts written off | 315 |
| Factory Wages | 7299 |

| **Dr. Balances** continued— | £ | s. |
|---|---|---|
| Int. paid on Debentures | 238 | 10 |
| Postage & Stationery | 444 | – |
| Horses & Vans | 946 | – |
| Audit Fee & Legal Charges | 274 | – |
| Rent, Rates, Taxes & Insce. | 1173 | – |
| Office Salaries | 4216 | – |
| Bills Receivable | 1931 | – |
| Advertising | 470 | – |
| Freehold Land & Buildings | 18442 | – |
| Cash at Bank | 2259 | – |
| Cash at Bank (Pension Fund) | 440 | – |
| Cash in hand | 75 | – |
| P. & L. A/c., 1st Jan. | 1236 | – |
| **Cr. Balances—** | | |
| Ordy. Share Cap. A/c. | 35820 | – |
| Pref. Share Cap. A/c. | 10000 | – |
| Pension Fund | 4980 | – |
| Debenture Cap. (100 5% Debs. of £50 each) | 5000 | – |
| Transfer Fees received | 1 | 10 |
| Purchases Returns | 1243 | – |
| Bills Payable | 2162 | – |
| Discounts received | 1978 | – |
| Sales | 131276 | – |
| Creditors as per Bought Led. | 11747 | – |

**Answer.**—*Gross* £21487 ; *Bal. for Distribution* £4613 9 ; *Total B/S.* £74944 9.

6. Baxter & Sons, whose head office is in London, remitted £500 to their Manchester Branch on 30th Dec., 1909. The books of the Head Office and the Branch are balanced as on 31st Dec. each year. The above-mentioned remittance did not reach Manchester until the morning of the 1st Jan., 1910. How would you deal with the amount in question in the Trial Balances of the Head Office and Branch, and when preparing the combined B/S. of the whole business ?

7. Is there any difference between a Receipts and Payments A/c. and an Income and Expenditure A/c. ? The following particulars relate to the Chilworth Literary Society for the year ended 31st Dec., 1909 :—Subscriptions received £110 ; Interest received on Investments £38 ; net proceeds received from lectures and concerts £232 ; Rent paid for use of Hall £21 ; Petty Cash payments £10 ; Advertising paid £21 ; Printing Expenses paid £12 10. The Society holds ten 4% Debentures of £100 each in the Universal Library, Ltd. As on 31st Dec., 1909, the Society owed £8 for Rent of Hall and £9 10 for Printing. Prepare the Society's annual Statements of Account for the year ended 31st Dec., 1909.

## LONDON CHAMBER OF COMMERCE. (*Senior*, 1911.)

1. James Jowit & Co., printers, purchased three monotype machines on 1st Jan., 1910, at a cost of £1000 each. The firm's engineer reports that, with care and proper repairs, the machines will remain efficient for ten years. At the end of that period the machines will be sold. The current market price of machines of this type after ten years' use is about £100 each. Advise as to how the depreciation on the above machines should be treated in the books of the firm. Submit alternative methods for the consideration of the partners, and state which you prefer, and why. 2. What is meant by the term " Columnar Book-keeping ? " Prepare a form of a columnar ledger suitable for use in a small hotel, and enter the following details :—Tuesday, Jan. 17th, 1911. Visitors' a/cs. J. Hughes (Room 1), Balance from previous day £1 12s. 6d., apartments 7s. 6d., breakfast 2s. 6d., lunch 3s. 6d., dinner 5s., wine 8s. 6d., spirits 9d., cigars 1s., postages 6d., laundry 3s. 4d. F. J. Griffiths (Room 5), apartments 5s., breakfast 2s. 6d., tea 1s. 6d., supper 2s., liqueurs 9d., minerals 1s., bath 1s., fire 1s. J. E. Elliott (Room 3), balance from previous day £2 10s. 6d., breakfast 2s. 6d., bus to station 6d., cash received in settlement of bill £2 13s. 6d.

3. The following assets are the property of the Reliance Boot Manufacturing Co., Ltd. How should they be valued for balance-sheet purposes ? (*a*) Twenty Debentures of £100 each in

the Southern Railway of America, representing the investment of the reserve fund. The debentures were purchased at par, but the market price has since fluctuated between 94 and 108; the former quotation being the mean market price as on 31st Dec., 1910, the date upon which the balance sheet of the Reliance Boot Manufacturing Co., Ltd., is prepared. (*b*) Patents £2000. This amount represents the original cost of the patent rights in a welting machine. The grant of letters patent is dated 1st Jan., 1906. (*c*) Goodwill £5000. This asset was purchased in 1905, at the price named, upon the formation of the limited company. The trading profits have steadily declined from £4200 in 1906 to £2124 in 1910.

**4.** Richard Robson is in business as a manufacturing engineer, and his profits, as agreed with the surveyor of taxes, were as follows:—Year ended 31st December, 1907, £4550; 1908, £4260; 1909, £3980; 1910, £3925. He also earned during the same period; 1908, Professional Fees, £150; 1909, Directors' fees, £200; 1910, Directors' fees, £300. R. Robson also enjoyed the income from investments (all of which was taxed at its source) amounting to £900 per ann. gross. Robson's life was insured in a British office, the annual premium amounting to £100. Mrs. R. Robson possessed private income amounting to £650 gross per ann.; throughout the above period all this income was also taxed at its source. Give R. Robson's income tax return, Schedule (D), for the year ending 5th April, 1912 (tax 1/2 in the £), and state the amount of tax for which he is liable. (*Answer*:—£400 12 4.)

**5.** The following balances were extracted from the books of the Stambridge Publishing Co., Ltd., as on 31st Dec., 1910. The nominal capital of the Company consists of 10,000 Ordinary Shares of £1 each, and 4000 6% Preference Shares of £5 each. In addition to the publishing department, the company has a "supply department" for the sale of the various goods advertised in its publications. Prepare a Publishing Trading and P. & L. A/c., a Supply Trading and P. & L. A/c., a general P. & L. A/c., and a B/S., for the year ended 31st Dec., 1910. The publishing **stock**, on 31st Dec., 1910, was valued at £700, and the supply **stock** at £4500. Before preparing the annual a/cs. it is necessary to take the following matters into consideration:—(*a*) £500 provision for bad and doubtful debts is to be made, no provision having been made in the past. (*b*) Write off 10% depreciation on furniture, etc. (*c*) Charge 2½% on the net profits of the business as Managing Director's commission. (*d*) Half the cost of the designs is to be borne by each department. (*e*) Write off one-third of the general advertising expenses and carry forward the balance. (*f*) It was decided to pay no dividend on the ordinary shares for the year ended 31st Dec., 1909, but to pay the preference dividend, and to transfer £2000 to Reserve. The latter transfer has not been made.

| **Dr. Balances—** | |
|---|---|
| Copyrights A/c. | £18000 |
| Directors' Fees | 400 |
| Calls in arrear (being 10s. per share on 20 Ordy. Shares) | 10 |
| Cash in hand | 90 |
| Cash at Bank | 1760 |
| Bank Charges | 10 |
| Paper & Printing | 4250 |
| General Office Salaries | 300 |
| Engraving Blocks | 150 |
| Rent, Rates & Taxes | 400 |
| Stationery (General Office) | 80 |
| Literary Contributions | 400 |
| Insurance | 30 |
| Goodwill | 4000 |
| General Advertising Expenses | 6000 |
| Designs for Publication | 1000 |
| General Expenses | 350 |
| Managing Directors' & Secretary's Salaries | 1500 |
| Div. paid on Preference Shs. | 1130 |
| Furniture, Fixtures & Fittings | 940 |
| Travelling Expenses | 60 |
| Sundry Debtors | 3220 |
| Bills Receivable | 190 |
| Publishing Dept.—Carriage | 140 |
| Do. Postage & Telegrams | 30 |
| Do. Advertising Expenses | 150 |

| **Dr. Balances** continued— | |
|---|---|
| Publishing Dept.— | |
| Do. Trading Expenses | £110 |
| Do. Discount (Dr. bal.) | 10 |
| Do. Bad Debts | 20 |
| Do. Wages & Salaries | 500 |
| Supply Dept.—Purchases | 9000 |
| Do. Carriage | 1200 |
| Do. Trade Expenses | 150 |
| Do. Wages & Salaries | 1500 |
| Do. Discount (Dr. bal.) | 30 |
| Do. Postages & Telegrams | 90 |
| Stock, 31st Dec., 1909, Publishg. Dept. | 800 |
| Do. do. Supply Dept. | 4000 |
| **Cr. Balances—** | |
| P. & L. A/c. (Cr. bal. 31st Dec., 1909) | 4120 |
| Supply Dept. Sales | 17000 |
| Publishing Sales | 5500 |
| Pub. Dept.—Subscribers (amts. recd.) | 40 |
| Do. Adverts. received | 4100 |
| Reserve A/c. | 3000 |
| Ordinary Share Capital | 4790 |
| Preference Share Capital | 20000 |
| Bills Payable | 2200 |
| Sundry Creditors | 1250 |

**Answer,**—*Profit of Pub. Dept.* £3830; *Supply Dept.* £5030; *General Profit* £2586; *Bal. for Appropriation* £3511 7 –; *Total B/S.* £36806.

**6.** A firm of motor manufacturers contracted to supply 50 cabs to a Motor Cab Co., ten cabs on the first day of each of the following months :—June, July, August, September, October. Under the agreement the manufacturers, in case of late delivery, were liable to refund to the cab company any *actual loss* which might arise owing to non-delivery of cabs on the promised dates. The manufacturers were not, however, to be liable for any loss of profit which might have been earned by the cabs if delivered as promised. The first batch of cabs was delivered on the agreed date, the second batch was 7 days late, the third 10 days late, the fourth 15 days late, and the fifth 8 days late. The rent and other fixed charges of the Cab Company were the same for 10 cabs as for 50, namely £30 per week. Prepare an a/c. showing the claim to be made by the Cab Co. and explain the reasons which guided you in its preparation.

**7.** How should the following items be treated in the a/cs. of a Limited Company ? :—(1) An issue of 1000 debentures of £100 each, issued 1st Jan., 1911, at 90, repayable in 1921. (2) An expenditure of £5000 on advertising a new patent medicine. The sales of the first year amounted to £1500, but were on the up grade. (3) A debt owing by a director of the company.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1912.)

1. Prepare, in the proper statutory form, the Revenue A/c. of the Minster Assurance Co., Ltd., for the year ended 31st Dec., 1911, from the following figures :—Claims : By Death £76140 ; By Maturity £30110 ; Premiums £705690 ; Transfer Fees £129 ; Consideration for Annuities granted £82127 ; Annuities paid £53461 ; Bonuses paid in Cash £2416 ; Expenses of Management £31920 ; Commission £9574 ; Interest, Dividends and Rents £97840 ; Income Tax thereon £5710 ; Surrenders £13140 ; Bonus in reduction of Premiums £980 ; Dividends paid to Shareholders £5500 ; Amount of Life Assurance Fund at the beginning of the year £1521000.

2. The Nominal Cap. of the Richmond Co., Ltd., consists of 100,000 Shares of £1 each. The whole of these Shares were issued in 1910, and were fully called up in four instalments of 5s. each. On 12th Feb., 1911, after due notice, the directors passed a resolution forfeiting the 1000 Shares held by Mr. W. A. Richardson, the final instalment due upon his holding not having been paid. On 1st May, 1911, the 1000 Shares thus forfeited were issued as fully paid, to Captain Heyward, who paid £500 for them. Give the entries necessary to record these transactions in the Company's books.

3. The George C. Waud Finance Corporation, Ltd., hold a large number of investments. Explain briefly what records you would advise the Co. to keep relative to their investments. Give a *pro formâ* ruling of the Ledger A/c. you recommend and enter therein not more than six items. 4. What is "Super Tax ?" Upon whom is it levied ? Upon what basis are the trading profits of a partnership assessed for this Tax ?

5. The A. R. Waddell Co., Ltd., which was formed to purchase a manufacturing business, was registered on 1st Jan., 1911, with a Nominal Cap. of £100,000, divided into 10,000 Ordy. Shares of £10 each. With the undermentioned exception, these Shares were offered to the public, and 7500 were subscribed for and duly allotted. As part purchase price of the business, 500 Shares were allotted as fully paid to the vendor. The Shares issued to the public were payable as follows :—£2 10s. per share on application, £2 10s. on allotment, £2 10s. on 31st Mar., 1911, and the balance as and when required. The final balance had not been called up on 31st Dec., 1911. In addition to the balance of the Cap. A/c., the following balances appeared in the books of the Company on 31st Dec., 1911. Before closing the books the following adjustments are necessary :—(*a*) 10% Depreciation is to be written off Plant and Machinery ; (*b*) The Res. for Bad Debts is to be made up to £500 ; (*c*) Insurance paid in advance £50 ; (*d*) The £2505 spent upon Alterations and Improvements to be written off by five equal annual instalments, ending 31st Dec., 1915 ; (*e*) The whole of the Preliminary Exs. (part having been borne by the vendor), are to be written off ; (*f*) **Stock**, 31st Dec., 1911, £12,347. Prepare Trading and P. & L. A/cs. for the year ending 31st Dec., 1911, and B/S. as on that date. State what conclusions the a/cs. of the Co. would lead you to arrive at.

| | | | |
|---|---|---|---|
| Salaries | £3060 | Freehold Land & Buildings | £26000 |
| Manufacturing Wages | 22421 | Reserve for Bad Debts | 250 |
| General Expenses | 941 | Goodwill | 10000 |
| Stock, 1st Jan., 1911 | 10210 | Purchases Returns | 4001 |
| Rents received | 300 | Sales Returns | 4759 |
| Res. for Depr. of Buildings | 3000 | Bills Payable | 962 |
| Carriage | 6119 | Alterations & Improvements | 2505 |
| Sundry Debtors | 16342 | Advertising | 2793 |
| Sundry Creditors | 6124 | Directors' Fees | 750 |
| Rates, Taxes & Insurance | 2450 | Legal Expenses | 61 |
| 5% Debentures | 5000 | Preliminary Expenses | 447 |
| Deb. Int. (from date of issue to 30th June, 1911) | 107 | Plant, Machy. & Fixtures | 9510 |
| Purchases | 102551 | Lighting & Heating | 766 |
| Sales | 142412 | Discount A/c. (Dr. bal.) | 1174 |
| Calls in Arrear | 250 | Travellers' Exs. and Comm. | 647 |
| Repairs & Renewals | 1027 | Bank Overdraft | 1789 |
| | | Cash in hand | 198 |

**Answer.**—*Gross Profit* £12700 ; *Net Loss* £3000 ; *Total of B/S.* £78000.

**6.** Are the published a/cs. of Gas Companies subject to any statutory regulations ? Give the rulings you would recommend for any two of the principal books employed by Gas Companies, and briefly describe the uses of the books you illustrate.

**7.** Messrs. Pernet Ducher & Co., Ltd., London, have a branch office in a South American Republic, where the exchange fluctuations are considerable. The books of the branch are kept in local currency only, and, at the close of each financial year, a T.B., P. & L. A/c., and B/S. are sent to the London Office. Briefly describe how you would amalgamate the branch figures with those of the head office. At what rates would you convert (1) the P. & L. A/c. balance, (2) the Floating Assets, (3) the Fixed Assets, and (4) Remittances from London.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1913.)

**1.** The Northern Colliery Co., Ltd., took a lease of a coal mine for a period of 20 years from 1st Jan., 1906. Under the lease a royalty of 6d. per ton upon the output was payable, with a minimum rent of £400 per ann., with power to recoup "short-workings" over the first 5 years of the lease. Show the Royalty, Short-workings and Landlord's A/cs. in the books of the Colliery Co., assuming that the annual outputs for the first 5 years of the lease were :—1906, 10,000 tons ; 1907, 15,000 tons ; 1908, 17,000 tons ; 1909, 18,000 tons ; 1910, 20,000 tons.

**2.** On 1st Jan., 1912, a Company, with a Nominal Cap. of £20,000 divided into 10,000 Ordy. Shares of £1 each and 1000 6% Pref. Shares of £10 each, was formed to acquire the business of Albert Durand. It was agreed to allot as fully paid to the Vendor, as purchase consideration of the assets acquired, 5000 Ordy. Shares and 500 Pref. Shares. On the 5th Jan., 1912, the balance of the Ordy. Shares was issued to the public at a premium of 5/- per share, and 75% of this issue was duly applied for, the terms of subscription being 10/- per share (including the premium) on application, 7/6 per share on allotment, and the balance on 31st Mar. The Co. carried out its agreement with Albert Durand, and went to allotment on 12th Jan. All cash due on application and allotment was paid with the excep-

tion of that due on allotment of 500 shares to Victor Verdier. These shares were forfeited by resolution of the Directors on 15th Mar., 1912, and were re-issued on 22nd Mar., to Hugh Dickson on payment of the amount due on the shares. Show how these transactions would appear in the books of the Co., assuming that the call due on 31st Mar. has been made, but that no cash has been received in respect of it.

3. What do you understand by a Preliminary Expenses A/c. ? What expenses are commonly charged to this a/c., and why ?

4. What benefit does a consignor derive from drawing a bill upon his consignee against the goods consigned ? Show, by *pro formâ* entries, how such a bill would be treated in the consignor's books.

5. On 1st July, 1911, a Co. was formed to manufacture a patent medicine, with a Nominal Cap. of £50,000, consisting of 50,000 £1 shares. The shares were offered for public subscription, and 38,000 shares were applied for and allotted. On 30th June, 1912, 15/- per share had been called up and, with the exception of 5/- per share on 400 shares, had been paid. In addition to the above balances, the following balances appeared in the books of the Co. on 30th June, 1912. Prepare Trading, P. & L. A/cs. and B/S. for the year ended 30th June, after taking into consideration the following :—(*a*) Depreciate Plant & Machy. 10% ; (*b*) Depreciate Fixtures & Fittings 5% ; (*c*) Res. for Bad and Doubtful Debts to be created, 2½% on Sundry Drs. ; (*d*) The amt. expended on Advertising to be written off by equal annual instalments over 3 years ending 30th June, 1914 ; (*e*) All Preliminary Exs. to be written off ; (*f*) Manager of Co. is entitled to 5% commission on the Net Profits, after charging such commission and all other charges and appropriations of profits, except dividends ; (*g*) Rates and Insurance unexpired and paid in advance on 30th June, 1912, were £39 4s. 1d. and £47 2s. respectively ; (*h*) **Stock**, 30th June, £3942 1s. 10d.

| | | | |
|---|---|---|---|
| Cash at Bank ..... | £3622 | 17 | 6 |
| Cash in hand ..... | 96 | 4 | 1 |
| Sales ..... | 22947 | 1 | 4 |
| Sales Returns..... | 429 | 2 | 2 |
| Insurance & Rev. Stamps | 647 | 9 | 1 |
| Int. on temporary Bank Deposit ..... | 14 | 1 | – |
| Plant & Machinery ... | 9673 | 10 | – |
| Fixtures & Fittings.... | 976 | 6 | 8 |
| Manufacturing Wages.. | 8610 | 4 | 7 |
| Advertising ..... | 14205 | 19 | 9 |
| Salaries ..... | 942 | – | – |
| Carriage Inward ..... | 412 | 19 | 10 |
| Carriage Outward .... | 641 | 2 | 9 |
| General Expenses ..... | £216 | 4 | 6 |
| Purchases ..... | 6428 | 13 | 4 |
| Purchases Returns ..... | 314 | 6 | 2 |
| Rent, Rates & Taxes .. | 614 | 10 | 10 |
| Lighting & Heating .... | 97 | 16 | 7 |
| Sundry Debtors ..... | 5414 | 14 | 1 |
| Sundry Creditors ..... | 2141 | 14 | 3 |
| Bills Payable ..... | 612 | 6 | – |
| Preliminary Expenses .. | 207 | 6 | 1 |
| Discount A/c. (excess of discount allowed over dis. received) ..... | 92 | 7 | – |
| Directors' Fees ..... | 150 | – | – |
| Electric Power ..... | 949 | 19 | 11 |

**Answer.**—*Gross Profit* £11322 9 5 ; *Net Profit before charging Managers' Commission*, £977 2 6 ; *Total of B/S.* £32131 2 9.

6. State briefly any defects which the Double A/c. System of accounting presents. 7. A London manufacturing company establishes a branch in South America where the local currency is subject to constant fluctuations in value. Give concise instructions for the use of the London book-keeper, showing how the a/cs. as between London and South America are to be kept and adjusted.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1914.)

1. The P. & L. A/cs. of the business of Abel Chatenay, as agreed with the Surveyor of Taxes, disclosed the following results :—1909, Profit £9,500 ; 1910, Loss £610 ; 1911, Profit £10,820. A. Chatenay's gross income, apart from the above, for the year preceding assessment was as follows :—Dividends and Interest (gross), £1,200 ; Director's Fees, £500 ; Rents from House Property, £900 ; Wife's Income, £500. His life assurance premium amounted to £180 per annum. Prepare A. Chatenay's return for Super-Tax for the fiscal year 1913-4. 2. The income of the North Eastern Rubber Trust, Ltd., is derived from investments in rubber and other commercial companies. Design a ledger suitable for the record of the investments of the Company, and make three specimen entries therein.

3. The P. & L. A/c. of Soleil d'Or, Ltd., prior to the payment of debenture interest for the half-year to 31st Dec., 1913, disclosed a profit of £12,850 as on 31st Dec., 1913. The Paid-up Capital of the Company consisted of £100,000, divided into 50,000 5% Preference Shares of £1 each, and 50,000 Ordinary Shares of £1 each. 100 Debentures of £100 each at 4% had also been issued. The Directors made the undermentioned recommendations for the disposal of the above balance which were approved by the Shareholders at the Annual Meeting :—(1) To pay the half-year's interest to 31st Dec., 1913, due on the Debentures. (2) To pay the Preference dividend for the half-year to 31st Dec., 1913. (3) To pay a dividend for the year ended 31st Dec., 1913, of 10% on the Ordinary Shares, free of Income Tax. (4) To transfer £5,000 to Reserve, raising that Account to £15,000 in all. (5) To carry forward the balance to next year. Show the entries necessary to record these transactions in the books of Soleil d'Or, Ltd.

4. Mr. Robert Royce's book-keeper found the undermentioned slips in the pocket of his employer's Bank Pass Book with The Union Banking Co., Ltd. :—(1) Debit Slip. 28th January, 1914. Debit Robert Royce, Current Account for transfer to Deposit Account. £250. L.C.C. Accountant. (2) Debit Slip. 26th Jan., 1914. Debit Robert Royce, Interest on loan to date. £29 2 9. L.C.C. Accountant. (3) Debit Slip. 31st January, 1914. Debit Robert Royce, Cheque Book. 8/4. L.C.C. Accountant. Briefly describe the meaning of these documents and the entries which would be necessary with reference to them in the books of Mr. R. Royce. Explain why slips of this nature are employed by Bankers.

5. On 1st Jan., 1913, a Co. was formed to take over the business of John Brown & Co., Manufacturing Confectioners, with a Nominal Cap. of £60,000 consisting of 60,000 Shares of £1 each. 10,000 Shares were issued as fully paid to the Vendors in part payment of the various assets included in the purchase price. The remainder of the Shares were offered to the public for subscription, and 34,000 were applied for and allotted. On 31st Dec., 1913, 17/6 per share had been called up and duly paid, with the exception that a call of 2/6 per share was unpaid on 280 shares, and that 400 shares had been paid for in full. In

addition to the balances represented by the above, the following balances appeared in the books of the Co. on 31st Dec., 1913. Prepare Trading, P. & L. A/cs. and B/S. for the year ended 31st Dec., 1913, after taking into consideration the following :— (*a*) Depreciate Plant & Machy. 10% ; (*b*) Depreciate Fixtures & Fittings 5% ; (*c*) £100 is to be written off Preliminary Exs. ; (*d*) £250 is to be reserved for Directors' Fees ; (*e*) Res. for Bad and Doubtful Debts to be created, 2½% on Sundry Debtors ; (*f*) The Vendors to be charged with £34 8s. 7d. being bad debts made on Sundry Debtors' balances guaranteed by them ; (*g*) Rates and Insurances owing and paid in advance respectively were £36 8s. and £43 8s. 6d. ; (*h*) **Stock** 31st Dec., 1913, £5,643 10s. 8d.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash in hand ..... | £79 | 8 | 7 | Travellers' Salaries & Expenses ..... | £1860 | 4 | 3 |
| Cash at Bank ..... | 2106 | 4 | 8 | Carriage Outward ..... | 1441 | 19 | 9 |
| Stock (1/1/13) ..... | 4005 | – | 6 | Goodwill ..... | 5000 | – | – |
| Sales ..... | 21845 | 9 | – | General Expenses ..... | 297 | 14 | 1 |
| Purchases ..... | 10841 | 11 | 9 | Returns Inward..... | 413 | 2 | 6 |
| Rates & Insurance .... | 528 | – | 9 | Returns Outward ..... | 214 | 1 | 6 |
| Plant & Machinery ... | 6793 | 10 | – | Debtors ..... | 5314 | 8 | 6 |
| Fixtures & Fittings.... | 769 | 8 | 7 | Creditors ..... | 1783 | 4 | 5 |
| Manufacturing Wages.. | 4180 | 2 | 9 | Preliminary Exs. ..... | 389 | 7 | 6 |
| Bad Debts ..... | 218 | 7 | 6 | Discount A/c. (excess of discounts allowed over those received)..... | 1467 | 7 | 11 |
| Freehold Premises..... | 17000 | – | – | | | | |
| Salaries ..... | 692 | – | – | | | | |
| Factory Power..... | 89 | 7 | 4 | | | | |
| Lighting ..... | 120 | 8 | – | | | | |

**Answer.**—*Gross Profit*, £8173 16 4 ; *Net Profit*, £388 9 6 ; *Total of B/S.* £42223 1 11.

**6.** The debit and credit sides of the Balance Sheets of limited companies are often headed "Liabilities" and "Assets," respectively. Have you any objection to this practice ? Is there any obligation to provide for any waste which may occur either in the fixed assets or in the floating assets of a limited company ? If so, how should such waste be dealt with ? 7. Give a form of a Valuation B/S. of an Insurance Co. What is the object of such a B/S., and when is it usually prepared ?

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1915.)

**1.** On Jan. 1, 1915, A. R. Goodwin purchased a machine for £1000. His engineer advised him that the machine would be useless for his purposes in four years, and that it would then realise £100 at scrap prices. Give two methods of providing for the depreciation of this machine.

**2.** Explain the meanings of the following items, which have been extracted from the A/cs. of a Life Assurance Company, and state where they would appear in the published annual A/cs. :— (*a*) Amount of Life Assurance Fund at the end of the year, (*b*) Income Tax on Interest and Dividends received, (*c*) Surrenders, (*d*) Outstanding premiums.

**3.** On Jan. 5, 1914, W. J. Grant applied for, and was duly allotted, 500 Ordinary Shares of £1 each, in Horace Vernet, Ltd. He paid 2s. 6d. per share on application, and 5s. per share on allotment (Feb. 5). He failed to pay the first (and final) call of 12s. 6d. per share, made on Aug. 4, 1914, and his shares were consequently forfeited on Jan. 15, 1915. On March 1, 1915, the Directors issued the 500 Shares to Alfred Colomb,

upon his undertaking to pay for them at the rate of 17s. 6d. per share. Give the entries necessary to record these transactions.

4. Prepare a statement showing the liability of Antoine Rivoire, M.P., for super-tax for the year 1914-15. Share of assessed profits of Rivoire, Lefebvre & Co. for the year 1913-14, £4765; Interest on Cap., £400; Directors' Fees, £500; Dividends from Investments (Gross), £315; Wife's Income (Gross), £320; Salary as a Member of Parliament, £400; Rents from Freehold House Property (Gross), £420; Mr. Rivoire owns the lease of the house he occupies, which is assessed under Sch. A. at £450. He has a mortgage of £5000 at 5% on the house, and pays an annual ground rent of £40. He pays a life insurance premium of £150 per annum on his own life, and £100 per annum on that of Mrs. Rivoire.

5. Avoca, Ltd. was registered in 1912, with an Authorised Cap. of £200,000 divided into 100,000 5% Cumulative Pref. Shares of £1 each, and 100,000 Ordinary Shares of £1 each. Of this Cap., 30,000 Pref. Shares and 60,000 Ord. Shares were issued and fully called up. On Dec. 31, 1914, the balances below appeared in the books. Prepare Trading and P. & L. A/cs. for the year ended Dec. 31, 1914, and a Balance Sheet as on that date, taking into consideration:—(1) Debenture Int. for the half-year to Dec. 31, 1914, is to be provided for (ignore Income Tax), (2) £1000 is to be added to the Reserve Fund, (3) All interest from Investments is to be added to the Reserve Fund, (4) £200 to be added to the Leaseholds Depreciation Fund, (5) 10% Depreciation is to be written off Plant and Machinery, (6) 20% Depreciation is to be written off the Patents, (7) The Interest on the Company's investments accrued as on Dec. 31, 1914, but not received, amounted to £120, (8) £250 is to be written off the Discount on Debentures Issue A/c., (9) The Reserve for Bad and Doubtful Debts is to be increased to an amount equal to 5% on the Trade Debtors, (10) Rates paid in advance and Insurance unexpired amounted to £40 as on Dec. 31, 1914, (11) The investments, having depreciated in value, are to be written down to the extent of £2000, which amount is to be transferred from the Reserve Fund, (12) Stock on Dec. 31, valued at £6410.

| Dr. Balances— | |
|---|---|
| Leasehold Premises | £84200 |
| Calls in Arrear (Ord. Shares) | 500 |
| Freehold Premises | 98650 |
| Sales Returns | 129 |
| Purchases | 16856 |
| Sundry Debtors | 9580 |
| Stock (31/12/13) | 8786 |
| Patents | 1500 |
| Plant and Machinery | 8680 |
| Bills Receivable | 1290 |
| Discount on Deb. Issue A/c. | 1250 |
| Salaries | 3820 |
| Advertising | 2980 |
| Carriage Inwards | 1196 |
| Investments | 7264 |
| Cash at Bank and in hand | 4920 |
| Manufacturing Wages | 10860 |
| Debenture Interest A/c. | 1000 |

| Dr. Balances continued— | |
|---|---|
| Heating and Lighting | £628 |
| Manufacturing Expenses | 1284 |
| Directors' Fees | 1250 |
| Rates, Taxes and Insurance | 921 |
| Carriage Outwards | 2460 |
| **Cr. Balances—** | |
| Sundry Creditors | 34306 |
| 4% Debentures A/c. | 50000 |
| Reserve Fund | 30000 |
| Leaseholds Depreciation Fund | 1500 |
| Sales | 52980 |
| Purchases Returns | 628 |
| P. & L. A/c. (31/12/13) | 9650 |
| Transfer Fees | 100 |
| Interest on Investments | 420 |
| Bad & Doubtful Debts Res. | 420 |
| 5% Cumulative Pref. Shares | 30000 |
| Ordinary Shares A/c. | 60000 |

**Answer.**—*Gross Profit* £20907 ; *Net Profit* £5311 ; *Bal. of P. & L. A/c.* £13961 ; *Total of B/S.* £220007.

**6.** On Jan. 1, 1914, Excelsa Ltd., offered for subscription 500 4% Debentures of £100 each, repayable in five years at par. The price of issue was 98, payable as to £10 per Debenture on application, and the balance on March 1, 1914. Applications were received for 600 Debentures, and 500 were duly allotted on Jan. 3, 1914. The underwriting and costs of the issue amounted to £500. Give the entries whieh these transactions would necessitate, and show how the issue would appear in the Balance Sheet of the Company as on Dec. 31, 1914. **7.** Submit specimens of the "Receipts and Expenditure on Capital Account" and "General Balance Sheet" of a Railway Company.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1916.)

**1.** During the year ended 31st Dec., 1915, the following transactions appeared in the books of Herriotts Ltd. State, in each case, where the item should appear in the published a/cs. of the Co. : (*a*) Land, forming part of the Co.'s Freehold property, was sold for £6800. (*b*) 50000 new Ord. Shares of £1 each were issued at a premium of 5/- per share. (*c*) Underwriting commission amounting to £1250 was paid for placing the new shares. (*d*) 100 Pref. Shares, upon which £50 had been paid, were forfeited.

**2.** Rayon d'Or, Ltd., has a Cap. consisting of 100,000 Ord. Shares of £1 each, upon which 2/6 per share was paid upon application, and 7/6 on allotment. As Secretary to the Co., the Directors instruct you to take all the necessary steps to call up the balance due upon the shares. State briefly how you would proceed ; submit sketches of any special books or papers you would employ, and give the entries necessary to record the call in the books.

**3.** State the considerations which would guide you in deciding whether any particular item should be regarded as of a "Capital" or of a "Revenue" nature.

**4.** When preparing a/cs. for submission to the Surveyor of Tax, for Sch. D purposes, how should you deal with the items :— (*a*) Loss by fire (*b*) Int. received on deposit a/c. at the Bank. (*c*) Partners' Salaries. (*d*) Premiums received on an issue of new shares.

**5.** Digby & Co., Ltd., was formed on 1st Jan., 1912, with a Nominal Cap. of £20000, divided into 10000 Ord. Shares of £1 each, and 1000 6% Pref. Shares of £10 each, to acquire the business of Wm. Digby to the credit of whose Cap. A/c. the sum of £8645 was standing when the business was transferred. The purchase price of the business was fixed at £10000, to be discharged by the allotment of 5000 Ord. Shares and 500 Pref. Shares in the Co. These Shares were duly allotted as fully paid. The remaining Shares were offered to the public, and 2500 Ord. and 200 Pref. were applied for and allotted, and, with the exception of 5/- per share on the Ord. Shares, were fully called

and paid up. In addition to the balances represented by the above transactions, the balances below appeared in the books of the Co. on 31st Dec., 1915. Prepare Trading and P. & L. A/cs., also B/S. for the year, after making the adjustments :—(*a*) 10% Depreciation to be written off Plant, Machinery and Fixtures ; (*b*) Reserve for Bad Debts 2½% of the Sundry Debtors ; (*c*) Reserve proportion of Rates and Insurance paid in advance, viz. :—£17 10s. and £9 respectively ; (*d*) Materials, value £15, had been used in the manufacture of new fixtures during the year and the wages paid in connection therewith amounted to £9 ; (*e*) Balance of Preliminary Exs. A/c. to be written off (*f*) **Stock**, 31st Dec., 1915, £3963 16s. 4d.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Fuel and Power ..... | £96 | 14 | 9 | Purchases ..... | £7614 | 15 | 2 |
| Stock (31/12/14) ..... | 2919 | 16 | 10 | Sales Returns..... | 416 | 16 | 11 |
| Purchases Returns .... | 314 | 12 | 9 | Sundry Creditors ..... | 2177 | 13 | 10 |
| Carriage on Purchases | 216 | – | 4 | Pref. Div. (¼ yr. to Dec. 31, 1914) ..... | 210 | – | – |
| Sundry Debtors ..... | 5824 | 13 | 4 | Manufacturing Expenses | 417 | 13 | 7 |
| Sales ..... | 10665 | 15 | 1 | P. & L. A/c. (Credit Bal. Dec. 31st, 1914)..... | 352 | 4 | |
| Insurance ..... | 46 | 4 | 6 | Travelling Exs. & Comm. | 311 | 3 | 7 |
| Salaries ..... | 915 | 10 | – | Office Expenses ..... | 276 | 12 | 2 |
| Discount A/c. (Debit bal.) | 92 | 4 | 1 | Rent, Rates & Taxes ... | 317 | 15 | 2 |
| Directors' Fees ..... | 250 | – | – | Lighting & Heating .... | 42 | 19 | – |
| Plant, Machy. & Fixtures | 3642 | 12 | 6 | Cash at Bank ..... | 1752 | 15 | 11 |
| Bills Payable ..... | 1012 | 7 | 1 | Cash in hand ..... | 19 | 2 | 1 |
| Preliminary Expenses | 101 | 6 | – | | | | |
| Manufacturing Wages | 1266 | 3 | 2 | | | | |
| Carriage on Sales..... | 321 | 14 | 5 | | | | |

**Answer.**—*Gross Profit* £2146 18 2 ; *Net Loss* £1111 1 1 ; *Total of B/S.* £17065 – 11.

**6.** A Hartman & Co., whose head office is in London, are retail tobacconists. Branches have just been opened by the firm in Birmingham and Sheffield. You are asked to advise the partners as to the books and returns which are necessary to record the transactions between the Head Office and the Branches. Submit a short report containing your instructions to the firm's book-keeper.

**7.** The Carine Exploring Syndicate, Ltd., owning concessions covering a large area in South West Africa, floated a subsidiary company—the Ravary Mine, Ltd.—to acquire mining rights over a portion of its territory. The purchase price payable by the subsidiary company was £50000 in fully paid shares. All the expenses of the flotation (£2525) were to be repaid by the Ravary Mine in cash. How would you record these transactions in the books of the Carine Exploring Syndicate, Ltd. ?

## NATIONAL UNION of TEACHERS. (*Advanced*, 1903.)

PART i. **1.** State briefly what you mean by the system known as—(*a*) Double Entry Book-keeping. (*b*) Single Entry, and (*c*) What are the chief advantages to be secured by the adoption of Double Entry ? **2.** What is a Joint Stock Co. ? In addition to the usual Financial Books of a Joint Stock Co., what other books are compulsory ? **3.** What is the difference between a B/E. for £1000 payable 3 mos. from the date of acceptance, and an I.O.U. for the same amount ? Give an example of the latter. **4.** On the 1st Jan., 1902, Thos. Urgent, of Manchester,

draws on John Credit, of London, a 3 mos. B/E. for an amount of his overdue a/c. £175, together with one year's Int. at 5%. The Bill is accepted payable at the Bank of England, London. Give an example of the Bill and endorsement. **5.** Thos. Urgent discounted at the Bank of England John Credit's Bill, and he paid a discount of £3 15s. Show how the transactions appear in Thos. Urgent's Cash Book. **6.** State briefly, in cases where a Joint Stock Co. goes into liquidation, what is the position of—(*a*) Ordinary Shareholder, (*b*) Debenture Holder. **7.** At the end of the year a merchant finds his Credit balance as per Bank Pass Book to be £960, whilst his Credit balance as per Office Cash Book is only £800. Show by an example how you propose to adjust this.

PART II. Messrs. Smith & Jackson are partners in a manufacturing concern, sharing profits and losses in proportion to their respective Capitals as shown on 1st Jan., 1901; and receiving 5% int. on Cap. On 31st Dec., 1901, **Stock** was valued at £3600, and the following balances were extracted:—**1.** Depreciate the Plant 10%. **2.** Make provisions for a new reserve of 5% for bad and doubtful debts. **3.** Allow Jackson, the working partner, a salary of £500 in addition to his other interests in the firm. The Fire Insurance Prem. of £50 was paid out of Trade Exs. A/c. on 24th June, 1901, (6 mos. £25). Prepare a T/B., make the necessary closing entries, raise Trading, P. & L. A/cs. and B/S.

| **Dr. Balances**— | |
|---|---|
| Cash | £95 |
| Bank | 780 |
| Wages | 2119 |
| Stock | 2935 |
| Purchases | 15320 |
| Sundry Debtors | 19750 |
| Repairs | 75 |
| Bills Receivable | 1500 |
| Trade Expenses | 700 |
| Buildings | 9219 |
| Bad Debts | 350 |
| Office Expenses | 150 |
| Plant | 2300 |
| **Dr. Balances** continued— | |
| Discounts | £100 |
| Salaries & Wages | 250 |
| Rent, Rates & Taxes | 175 |
| Smith's Drawing A/c. | 500 |
| Jackson's Drawing A/c. | 300 |
| **Cr. Balances**— | |
| Smith's Cap. (1st Jan., 1901) | 10000 |
| Jackson's Cap. do. | 5000 |
| Sales | 25838 |
| Sundry Creditors | 13430 |
| Reserve for Bad Debts | 500 |
| Bills Payable | 1850 |

**Answer.**—*Gross Profit* £9064; *Net* £5321 10 –; *Capital*: *Smith* £13547 13 4; *Jackson* £7223 16 8. *Total of B/S.* £36051 10.

PART III. Thos. Jones having been adjudicated Bankrupt in 1902, the following Balances appear in his Books on the above date:—Cash in hand £20; Overdrawn at Bank £150; Stock-in-Trade (cost £800) estimated at £500; Machinery (cost £500) estimated at £400; Trade Fixtures (cost £300) estimated to produce £120; Book Debts, Good, £500 (estimated to produce £500); Doubtful, £250 (estimated to produce £100); Bad, £250; Unsecured Crs., £2500; Crs., fully secured (£500); estimated value of security, £600; Liabilities on Bills, £400; Creditors for half-year's Rent, £50; Rates and Taxes (12 mos.) £10; Domestic Servant's Wages (3 mos.) £30; Prepare Statement of Affairs for presentation to the first meeting of Creditors.

**Answer.**—*Deficiency* £1400.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1904.)

PART I. **1.** Having been appointed Book-keeper to the Quick Trading Co., where a/cs. have been kept by what is described as Single Entry, you are requested to prepare a P. & L. A/c. and B/S. State clearly the methods you would adopt. **2.** What entries would it be necessary to make in your books under the following circumstances :—(*a*) Hardup, who is your debtor for £500, files his petition. (*b*) Advertisements in the local papers to the effect that a Receiving Order has been made against him. (*c*) You receive an official communication to the effect that he has been adjudicated bankrupt. (*d*) First and final dividend of 7/6 in the £ declared and received by you. (*e*) How would you treat the balance of his a/c. ? **3.** Day, Month and Year arrange to become partners, each having a Cap. on the 1st Jan., 1903, of :—Day, £5000, Month £3500, Year, £2500. The Partnership Agreement makes no provision for Int. on Drawings, but each partner is to be entitled to 5% int. on Cap., and Profits (or losses) are to be borne equally. At the end of 12 months, during which period Year has advanced a further sum of £1000, the gross profits amounted to £3,000, and the Wages, Bad Debts, Rent, &c., £2500. The Partners' Drawings have been as follows :—Day £100, Month £150, Year £180. Make out P. & L. and Cap. A/cs. as on 31st Dec., 1903. **4.** Briefly define the following :—(*a*) Nominal Cap. (*b*) Subscribed Cap. (*c*) Issued Cap. (*d*) Paid-up Cap. (*e*) Ordinary Shares. (*f*) Deferred Shares. (*g*) Preference Shares. (*h*) Founders' Shares. **5.** What do you understand by "Contingent Liabilities" ? How are they treated in the B/S. ? Name the principal items coming under this head. **6.** State briefly the meaning of :—Royalties, Minimum Rent, Short Workings, or Redeemable Dead Rents. The Minimum Rent is £500, and the Royalty Rent for the first year is £600, the second year £450, and the third year £800. Illustrate by Journal entries.

PART II. Prepare final A/cs. of John Combine, Steel Merchant, on 31st Dec., 1903. **Stock** valued at £3500. Bad Debts £400. A Reserve of 5% on Debtors must be maintained. Depreciate Plant 10%. Charge 5% on Capital. Combine introduced an extra £500 Capital on 1st December.

| **Dr. Balances**— | |
|---|---|
| Stock | £9600 |
| Wages | 3200 |
| Railway Charges, &c. | 500 |
| Purchases | 12000 |
| Interest on Overdraft | 20 |
| Bills Receivable | 600 |
| Rents, Rates, &c. | 200 |
| Plant & Machinery | 2000 |
| Travelling Expenses | 500 |
| Repairs to Plant (aver. £100) | 160 |
| Cash | 200 |
| Discount on Sales | 500 |
| Returns | 100 |
| **Dr. Balances** continued— | |
| Sundry Debtors | £3500 |
| Office Expenses | 500 |
| Income Tax | 50 |
| Drawings as against Profits | 500 |
| **Cr. Balances**— | |
| J. Combine, Capital | 5000 |
| Bills Payable | 500 |
| The Consolidated Bank | 400 |
| Sales | 25000 |
| Reserve for Bad Debts | 500 |
| Discount on Purchases | 400 |
| Sundry Creditors | 2330 |

**Answer.**—*Gross Profit* £3600 ; *Net* £1087 18 4 ; *Capital* £5815.

PART III. Arrange Combine's A/c. for presentation to the Income Tax Commissioners. **Answer.**—*Profit assessable* £1425.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1905.)

PART I. **1.** What is meant by the Imprest System of Petty Cash ? What method would you adopt in small business concerns with reference to the Totals of Petty Cash ? **2.** What is meant by an Income and Expenditure A/c. ? Give an example of the same, not more than six transactions ; also an example of a Receipts and Payments A/c. What is a Revenue A/c. ? **3.** What is meant by :—(*a*) Floating Capital ; (*b*) Cumulative Preference Shares ; (*c*) Fixed Capital ; (*d*) Registered Debentures ; (*e*) Debentures to Bearer ? **4.** On 1st Jan., 1902, your Reserve A/c. has a credit bal. of £500, and on 31st Dec., 1902, £700 of the Profit for the year is transferred to the same A/c. Draw up a Reserve A/c. incorporating these items, and show how you would deal with the bal. in the B/S. at the end of the year. If the bal. of the Reserve Fund were invested outside the business altogether, how would you show that amount in the B/S. Give an example B/S. **5.** At the time of balancing (31st Dec., 1903) your Banking A/c. has been written up and balanced, showing a Credit Balance of £500, but cheques passed for payment before that date, amounting to £250, have not been cleared. On 31st Dec., 1903, you had also received a cheque for £20, from a customer, in settlement of his a/c., and although you had dealt with that amount through your office Cash Book, you had omitted to pay the same into your Banking A/c. Draw up a Reconciliation A/c., showing adjustments between your C.B. and Bank Pass Book.

PART II. Prepare Trading, P. & L. A/cs., and B/S. of John Goodwill & Co., on 30th June, 1903, dividing the profits or losses equally. **Stock** reckoned at selling price £3000, the cost being 20% less than this amount. Stock of Packing Materials £20, Reserve 5% for Doubtful Debts and 10% for Discount on Debtors. Plant and Machy. was bought 1st July, 1900, for £3000 ; its life is calculated to be 20 years, when it will be entirely replaced ; allow for depreciation at such a rate as will reduce the book-value to nil by 1920. On 1st June, 1903, one of the firm's horses valued at £50, died. Create a Reserve A/c. showing the old Reserve standing on the books, the bad debts written off for the period just ended, also new Reserve for the current period.

| **Dr. Balances—** | |
|---|---|
| Plant & Machinery | £3000 |
| Sundry Debtors | 2000 |
| Cash | 20 |
| Horses & Carts, 1st Jan. | 500 |
| Purchases | 14000 |
| Stock, 1st Jan., 1903 | 2000 |
| Packing Materials | 150 |
| Miscellaneous Expenses | 400 |
| Horsekeep | 100 |
| Carriage | 200 |
| Discounts for Cash | 240 |
| Bad Debts | 70 |
| Furniture | 1000 |
| **Dr. Balances** continued— | |
| Rent | £200 |
| Wages | 5000 |
| Salaries | 1000 |
| Travelling Expenses | 150 |
| **Cr. Balances—** | |
| John Goodwill (Capital) | 1730 |
| Tom Nojan (Capital) | 1730 |
| Sundry Creditors | 950 |
| Sales | 25000 |
| Bank | 500 |
| Doubtful Debts Reserve | 90 |
| Auditors' Fees | 30 |

**Ans.**—*Gross* £6070 ; *Net* £3210 ; *Cap. J.G.* £3335 ; *T.N.* £3335. *Total of B/S.* £8150.

## NATIONAL UNION of TEACHERS. (*Advanced*, 1906.)

PART I. **1.** The books of a retail tradesman have been kept on what is commonly called the Single Entry System. State what steps you would take to convert the method of book-keeping to the Double Entry System. **2.** What do you understand by the term "Goodwill" as applied to book-keeping? How would you advise a trader to deal with the asset in his books? **3.** Give the meaning of not more than *four* of the following mercantile terms, namely:—(*a*) Charter Party, (*b*) Bill of Entry, (*c*) "Average Clause" as applied to a Fire Insurance Contract, (*d*) Referee in case of need, (*e*) Sinking Fund, (*f*) Legal Tender. **4.** You are appointed Secretary to a business recently registered as a Limited Liability Co., but the necessary A/cs. have not been introduced. Give the names and short particulars of the statutory books which you would be required to keep. **5.** Prepare a Statement for the Income Tax Commissioners from the following:—Gross Profits for the year are £6000, Rent £600, Salaries and Wages £800, Rates £50, Improvement of Premises £100, amount written off for Bad Debts £300, Income Tax £150. Trade Exs. £50. **6.** The assets of a trader in the Grocery business on 31st Dec., 1902, as shown by his audited a/cs., were £6000, and his liabilities were £4000; he files his Petition in Bankruptcy on 30th September following, and he then estimated his deficiency to be £3000. You are requested to prepare *pro formâ* Deficiency A/c. showing this deficiency.

PART II. Prepare Trading, P. & L. A/cs. and B/S. of Messrs. Arthur Wilson and John Bookman, Cigarette Merchants, on 31st Dec., 1904, dividing profits equally. **Stock** £12896. Allow Int. on Partners' Cap. at 5% from 1st July, 1904. Write off half of Macmillan's Dishonoured Bill. Reserve 5% on Sundry Debtors.

| **Dr. Balances—** | |
|---|---|
| Wilson's Drawings, including Interest | £640 |
| Bookman's do. do. | 410 |
| Bills Receivable | 950 |
| Plant & Machinery | 2880 |
| Sundry Drs. (including John Macmillan, for dishonoured bill, £100) | 6200 |
| Wages, Manufacturing | 4097 |
| Returns | 278 |
| Purchases (including Government Duty) | 25659 |
| Rent, Rates & Taxes | 562 |
| Stock | 8968 |
| Salaries & Wages | 1100 |
| Travelling Expenses | 130 |
| Expenses of Licenses | 58 |

| **Dr. Balances** continued— | |
|---|---|
| Insurances, &c. (including Premium of £30 per ann., paid to end of March, 1905) | £40 |
| Cash | 53 |
| Bank | 1897 |
| Repairs & Renewals | 337 |
| Interest & Discount | 587 |
| Bad Debts | 362 |
| Fixtures & Fittings | 897 |
| **Cr. Balances—** | |
| A. Wilson, Capital A/c. | 7250 |
| J. Bookman, Capital A/c. | 4685 |
| Loan A/c. | 2000 |
| Sales | 35643 |
| Commission | 564 |
| Sundry Creditors | 5963 |

**Answer.**—*Gross Profit* £9537; *Net* £6276 12 6; *Capital A.W.* £9929 11 3; *J.B.* £7530 8 9. *Total B/S.* £25423.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1907.)

PART I. **1.** (*a*) A Bill for £105 is drawn at six months from the 1st Oct., 1906, by Smith on Rhodes and accepted by the latter payable at Parr's Bank. What Stamp Duty does this Bill require, and when is it due for payment ? (*b*) On the 11th Dec., 1906, Smith discounts the Bill with Hirst, and receives £100 cash. (*c*) The Bill is dishonoured on maturity, but is taken up by Smith on the 7th April, 1907. Show by means of the Journal the entries to record the transactions (*a*), (*b*), and (*c*)—in Smith's books.

**2.** Give the meanings of the following terms, namely :—Lien, Accommodation Bill, Gilt-edged Securities, Statute of Limitations, Manifest, Secret Reserves. **3.** State the chief difference between Books kept in an ordinary Partnership and those kept in the case of Limited Liability Companies. **4.** What is the difference between a T.B. and a B/S. ? The Dr. Balance of a Personal A/c. amounting to £250 has been carried to the Revenue A/c. in error. How will this affect (*a*) the T.B. and (*b*) the B/S. ? **5.** Explain what is meant by the following :—(*a*) Reconciliation Statement. (*b*) Lease Redemption A/c. (*c*) Deferred Shares. (*d*) Rebate A/c. **6.** What is the difference between :—(*a*) Consignment. (*b*) Joint Adventure ? How would you deal with the Consignments not completed at the date of balancing ?

PART II. Prepare Trading, P. & L. A/cs. and B/S. of Brownson & Co., Ltd., whose nominal capital consists of 8000 shares of £1 each, and 15s. per share has been called up, all of which have been issued, but 80 shares were forfeited on the 1st Feb., 1905. On the 31st March, 1906, the Ledger Balances were as below. **Stock** £2456 ; Wages (unpaid), £50 ; Interest on Bank Overdraft £36. Bring up the Bad Debts Reserve A/c. to 5% on Sundry Debtors. Also provide £60 for Depreciation of Plant and Machinery. On the 1st April, 1904, it was decided to spread the Preliminary Exs. over a period of six years ; the amount originally was £600.

| | |
|---|---|
| **Dr. Balances—** | |
| Bad Debts | £220 |
| Cash | 95 |
| Stock (1st April, 1905) | 2056 |
| Horses, Carts, &c. | 478 |
| Preliminary Expenses | 500 |
| Discounts | 126 |
| Bills Receivable | 1488 |
| Plant & Machinery | 1286 |
| Interm Dividend | 750 |
| Premises A/c. | 2000 |
| Salaries | 1200 |
| Sundry Debtors | 3172 |
| Directors' Fees | 200 |
| Furniture & Fittings | 412 |
| Wages | 5802 |
| **Dr. Balances** continued— | |
| Purchases | £1525 |
| Carriage | 250 |
| Travelling Expenses | 607 |
| Rates, &c., for the half-year ended 30th Sept., 1905 | 50 |
| **Cr. Balances—** | |
| Capital paid up | 5940 |
| Bills Payable | 1000 |
| Sundry Creditors | 2079 |
| Bad Debts Reserve | 120 |
| Reserve A/c. | 500 |
| Bank | 900 |
| Forfeited Shares A/c. | 10 |
| P.&L.A/c., Appropriation A/c. | 100 |
| Sales | 11568 |

**Answer.**—*Gross* £4341 ; *Net* £1653 8 ; *Total B/S.* £11568 8.

PART III. From the following particulars make out the Statement of Affairs of Thos. F. Sellers for submission to his creditors, assumimg that the Stock, Doubtful Debts, and fixtures

will realise 50% of the value mentioned. Good Book Debts £3872; Doubtful £1500; Bad £2500; Unsecured Crs. £7278; Bills Payable £1200; Stock £1200; Fixtures, &c., £300; Partly Secured Crs. £872; Estimated Value of Securities £550; Cash at Bank £150; Preferential Crs. £267; Crs. Fully Secured (Estimated Value of Securities £2500) £2200.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1908.)

PART I. **1.** Explain briefly and comment upon some system of Departmental A/cs. with which you are familiar. **2.** Give definitions of, and differentiate, the following well-known terms: (*a*) Reserve; (*b*) Reserve Fund; and (*c*) Sinking Fund. In the case of a Limited Company, what would guide you in deciding as to whether an amount was a Reserve or a Reserve Fund? **3.** What do you understand by the following terms:—(*a*) Floating Assets; (*b*) Fixed Assets; (*c*) Preliminary Exs., and how dealt with; (*d*) Self-Balancing Ledgers; (*e*) Watering of Stock; (*f*) Allonge? **4.** (*a*) What undertakings, in general, keep their A/cs. upon the Double Account System? (*b*) What is the principal, if not the sole, reason for employing this form of a/cs.? **5.** Show the Ledger entries to describe the following:—(*a*) 1905. Jan. 1. Bad Debts Reserve of £860 standing on the books. (*b*) 1905. Dec. 31. Total of Bad Debts A/c. £1000. (*c*) 1905. Dec. 31. Adjust the Reserve A/c. so that it may show a Reserve of 7½% on the Book Debts, which are £15000. (*d*) Assuming that business has been continued for another twelve months, *i.e.*, up to 31st Dec., 1906, the Bad Debts are then £1100. Adjust the reserve, so that it may show a reserve of 7½%, on the amount of Book Debts, which are then found to be £12674. **6.** Show by Ledger entries *only* what the total amount of an Investment A/c. would be at the end of six years' Compound Interest (yearly) 2½%—neglect fractions of a penny. The amount invested *yearly* is £250. **7.** There is a distinct difference when dealing with depreciation in Double A/cs., as compared with the Single A/c. System. How is depreciation dealt with in the former?

PART II. **Water A/cs.** (Municipal). **8.** How would you deal with the following transactions in the books relating to a Municipal Water Works? Your answers may take the form of Journal entries. (1) The borrowing of £10000 from the Atlas Assurance Co., at 4% int., repayable by equal annual instalments of principal in 20 years with int., half-yearly on the bal. outstanding. (2) The payment of the first year's instalment of principal. (3) The payment of six mos'. int. (less income tax at 1/- in the £) on the bal. outstanding after payment of the first year's instalment of principal. Income tax paid to Commissioners in the usual way. (4) The payment to Stone's & Co., Contractors, of a sum of £500 (less 20% retention money) in respect of a contract for laying water mains. (5) The purchase of sundry materials worth £76 9 6 from S. Johnson & Co. (6) Payment to S. Johnson & Co. of the above amount. (7) The using of £15 worth of the above materials for repairs of mains.

**Gas Accounts.** **9.** Open and post up Ledger A/cs. recording the following :—(*a*) The charging of sundry customers with £320 10 for gas consumed. (*b*) The receipt of same in cash from sundry persons, less 5% dis. (*c*) The sale of 20 tons 5 cwts. of coke at 6/8 per ton to John Smith on credit. (*d*) The receipt of £5 on a/c. of above from John Smith. (*e*) The purchase of gas fittings worth £125 from "A.B." Company on "sale or return." (*f*) The return of £20 worth of fittings to the "A.B." Company

**10.** From the following balances (shown by the books of the Universal Jewellery Co., Ltd., on the 31st Dec., 1905), prepare Trading, P. & L. A/cs. and B/S. Value of **Stock** 31st Dec., 1905, £120550. Adjustments necessary before closing the a/cs. : (*a*) Depreciation to be written off Plant and Machinery at the rate of 7½% per ann., off Patents at 15% per ann., and Premises 5%. (*b*) Provision for Bad and Doubtful Debts 5%. By reason of losses application was made for leave to reduce the capital by £50000. Show by Journal entry how this would be effected.

| **Dr. Balances—** | |
|---|---|
| Purchases | £569842 |
| Stock, 1st Jan., 1905 | 65892 |
| Patents, Unexpired | 1560 |
| Freehold Premises, 1st Jan., 1905 | 5026 |
| Wages (remunerative) | 25090 |
| Do. (unremunerative) | 2060 |
| Unpaid Calls A/c. | 200 |
| Cash (Office) | 125 |
| Bad Debts | 476 |
| Repairs to Building | 56 |
| Interest on Overdraft | 260 |
| Plant & Machinery | 10140 |
| Salaries & Directors' Fees | 3400 |
| Bills Receivable | 6060 |
| **Dr. Balances** continued— | |
| Rates & Taxes | £1578 |
| Debtors | 5175 |
| Sundry Office Expenses | 275 |
| P. & L. A/c. (loss from previous year) | 7050 |
| **Cr. Balances—** | |
| Bank Overdraft | 8060 |
| Bills Payable | 30900 |
| Share Capital A/c. | 150000 |
| Unclaimed Dividends | 106 |
| Bad Debts Reserve | 150 |
| Sundry Creditors | 9086 |
| Outward Returns | 1500 |
| Sales | 504203 |
| Rents from Property | 260 |

**Answer.**—*Gross Loss* £34571 ; *Net Loss* £43770 11 ; *Total B/S.* £197952.

PART III. Prepare the *Income* and *Expenditure A/c.* of the *Carlton Club* for the year ended 31st Dec., 1907. Rent, Rates and Taxes (not paid) £50 ; Fuel and Gas £40 ; Caretaker's Wages £68 ; Printing and Stationery £30 ; Repairs £12 ; Salaries £100. Subscriptions due or accrued £200 ; Donations £50 ; Billiard Room £60 ; Refreshment Room £100 ; Sundry hiring £20.

**Answer.**—*Balance, being Net Profit,* £130.

**NATIONAL UNION of TEACHERS.** (*Advanced,* 1909.)

PART I. **1.** On account of heavy losses the Directors of a Limited Co. obtain power to reduce the Cap. from 100000 shares of £1 each, 10/- per share paid up, to 100000 shares of 5/- each fully paid. State what entries in the financial books are necessary to give effect to this. **2.** Explain :—Assignee, Bond to Bearer, Cheap Money, Corpus, Drawback, Lloyd's Bond. **3.** The Golden Hill Co., Ltd., has a balance of £18000 to the credit of P. & L. A/c., on 31st Dec., 1908. On 1st Feb., 1909, it was resolved to appropriate the amount as follows :—£3600 to Reserve Fund. Dividend of 10% (less Income Tax, 1s. in the £) on

10000 Pref. Shares of £5 each fully paid. Dividend of 15% (free of Income Tax) on 10000 Ord. Shares of £5 each, fully paid, and carry the balance forward. Make out (1) P. & L. Appropriation A/c., (2) Dividend A/c., (3) Income Tax A/c., and (4) Reserve Fund A/c. **4.** On 1st Jan., 1909, the Directors of a Company pass a resolution forfeiting 100 Ord. Shares of £1 each, upon which a depoist of 2s. 6d. per share has been paid, but upon which 7s. 6d. due on allotment and a further call of 5s. per share remain unpaid. On the same day they re-issue the shares to James Brown, credited with 15s. per share paid up for £70. Show in Journal the entries in the financial books of the Co.

PART II. Make out from the following T.B. as on 31st Dec., 1908, of the Trent Valley Water Co., (1) Capital A/c., (2) Revenue A/c., (3) Net Revenue A/c., (4) Reserve Fund A/c., (5) General B/S. The Reserve Fund is to be raised to £500, and National War Loan Stock increased to a like amount at par, to be known in future as Reserve Fund Investments.

| **Dr. Balances—** | |
|---|---|
| Expended on P'chase of Land | £3000 |
| Do. Construction of Works | 102330 |
| Do. Mains and Service Pipes | 11920 |
| Do. Meters | 1050 |
| Do. Parliamentary Exs. | 2000 |
| Sundry Debtors | 48 |
| Debtors for Water Rates due | 1242 |
| Stores on hand | 340 |
| Investments—National War Stock, at par | 250 |
| Cash in hand | 60 |
| Cash at Bank | 3353 |
| Salaries | 600 |
| Printing | 50 |
| Incidental Expenses | 37 |
| Maintenance of Pumping Stations | 1705 |
| Maintenance of Reservoirs | 500 |
| Do. Filter Beds | 150 |

| **Dr. Balances** continued— | |
|---|---|
| Repairs to Mains | £220 |
| General Repairs | 155 |
| Directors' Fees | 400 |
| Auditors' Fees | 50 |
| Rates and Taxes | 2500 |
| Int. on Deb. Stock to date | 1000 |
| Div. on Pref. Shares to date | 1200 |
| Interim Div.Ordy.Shs.,1/8/08 | 3000 |
| **Cr. Balances—** | |
| 60000 Ord. Shares £1 each | 60000 |
| 20000 Pref. Shares £1 each 6% | 20000 |
| Debenture Stock, 5% | 20000 |
| Premiums on Shares | 20000 |
| Sundry Creditors | 841 |
| Reserve Fund | 258 |
| Water Rents | 14667 |
| General Rents | 350 |
| Transfer Fees | 24 |
| Unclaimed Dividends | 20 |
| Bal. Net Revenue A/c., 1/1/08 | 1000 |

**Answer.**—*Cap. Bal.*, £300 ; *Revenue Bal.*, £7674 ; *Net Revenue Bal.*, £4232 ; *Total B/S.*, £5593.

PART III. Prepare Statement of Affairs and Deficiency A/c. as on 31st Dec., 1908, of Black & White. Cash in hand, £200. Book Debts :—Good, £2000 ; Doubtful, £300 (estimated to produce £100) ; Bad, £500. Stock-in-trade valued at £1900. Freehold Property cost £3000, estimated to produce £2500 ; this property is assigned to creditors for £2300. Shares held £150, these are given as security for a debt of £400. Creditors :—Unsecured on open A/c., £5000 ; on Bills payable, £1000. Partly secured by shares, £400. Fully secured on Freehold Property, £2300. Preferable claims for Taxes, Wages and Salaries, £100. Black's drawings, £2000 ; White's drawings, £2850. The business commenced on 1st Jan., 1906. Black put into it £2500, and White £2900. The first year showed a profit of £3000, but the next two years showed a loss of £4300. No provision was made for Bad Debts. **Answer.**—*Deficiency*, £1950.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1910.)

1. The following balances composed the B/S. of John Brown, Ltd. :—Cash £6000, B/R. £1200, Sundry Debtors £2500, Stock £5000, Capital £10000, B/P. £800, Sundry Creditors £1400, Divisible Profit £2500. It was resolved to start a Reserve Fund with such an amount of the Balance of Profit as would, when invested, purchase £1500 Consols at 85 (charges neglected). Give the Journal entries to effect this; set out the Ledger A/cs. for Investments, Reserve Fund, P. & L.; also draw up a new B/S. showing these changes. 2. The Timbuctoo Railway Co. issued its prospectus on 1st Jan., 1910, inviting applications for 200,000 shares of £5 each, payable £1 per share on application, £1 on allotment on 10th Jan., and £3 on 1st March. In addition there was an issue of £1,000,000 3% Redeemable Debentures, payable as to 5% upon application, and 95% on 31st Jan. The whole of the issues were applied for and the cash duly received, with the exception that, on 25th March, the directors resolved that the 10 shares upon which application and allotment money had been paid should be forfeited for non-payment of the call of £3 per share on 1st March. Give the Journal entries for the above, omitting cash. 3. A colliery is worked under a lease granted by the Lord of the Manor at a royalty of 6d. per ton, but with a minimum annual rent of £1200, with power to recoup short workings. During the first year 40000 tons are raised; second year, 44000 tons; third year, 52000 tons; fourth year, 50000 tons. Make out Ledger A/cs. for Royalties, Lord of the Manor, and Overpaid Royalties; and say how you would show the balance of Overpaid Royalties when making up the a/cs.

4. From the following figures relating to the Devonshire Life Assurance Co., compile its Revenue A/c. and B/S. for the year ending 31st Dec., 1910, in the prescribed form. Shareholders' Capital, £250,000 in 2500 shares of £100 each, with £10 paid up on each.

| | |
|---|---|
| Shareholders' undivided Profits £33786; Life Assurance Fund on 1st Jan., 1909, including paid-up Cap. and undivided Profits | £1825412 |
| Claims by death £93067; Claims matured by survivance | 47466 |
| Surrenders £8636; Commission £8224; Premiums | 134872 |
| Interest, Dividends, and Rents received | 72563 |
| Management Exs. £25860; Dividends to Shareholders | 3265 |
| Fines and Fees £201; Income Tax | 3525 |
| Written off Securities upon Re-valuation | 17089 |
| Mortgages in U.K. £172332; Loans on Co.'s Policies | 90152 |
| Freehold Ground Rents £1218310; Claims admitted but not paid £5846; Claims announced—not admitted | 22846 |
| Colonial Government Securities £147259; Rly. Shares | 74145 |
| House Property £105292; Agents' Bals. Outstanding | 19976 |
| Outstanding Interest and Rents receivable | 16968 |
| Outstanding Prems.—Head Office £1465; Sundry Crs. | 142 |
| Cash in hand and at Bank £5994; Furniture & Fittings | 2857 |

**Answer.**—*Total Revenue A/c.* £1974262; *Total of B/S.* £1854750.

5. The following are the balances of the Great Southern Railway for the half-year ending 31st Dec., 1909. Make out in the

prescribed form :—(1) Capital A/c. ; (2) Revenue A/c. ; (3) Net Revenue A/c. ; (4) General B/S.

| | |
|---|---|
| Ordinary Stock £5192500 ; 4% Preference Stock ..... | £2702711 |
| Debenture Stock £1526258 ; Premiums received ..... | 55653 |
| Expended upon lines open for traffic to 30th June, 1909 | 9181704 |
| Expended on the above during current half-year ..... | 44304 |
| Expended upon Working Stock to 20th June, 1909 ... | 616961 |
| Expended upon Working Stock during current half-yr. | 654 |
| Expended upon Maintenance of Way, Stations, &c. .. | 38373 |
| Expended upon Locomotive Power ..... | 93008 |
| Expended upon Carriage and Wagon Repairs ..... | 14858 |
| Expended upon : Traffic Exs. £61098 ; General Charges | 13342 |
| Expended upon Dock and Harbour Exs. and Repairs.. | 9371 |
| Expended upon : Shipping Exs. £18199 ; Law charges | 2697 |
| Expended upon : Parliamtry. Exs. £3834 ; Compensation | 354 |
| Expended upon : Mileage & Demurrage £447 ; Rates and Taxes ..... | 31060 |
| Expended upon Government Duty..... | 395 |
| Receipts from Parcels, Carriages and Horses ..... | 9578 |
| Receipts from : Passengers £106401 ; Mails ..... | 2641 |
| Receipts from : Merchandise £43508 ; Minerals £280448 ; Shipping ..... | 19355 |
| Receipts from : Docks and Harbours £39501 ; Rents.. | 3977 |
| Interest on Debenture Stock ..... | 22894 |
| Rents payable on Leased Lines, Guarantees, &c..... | 31876 |
| Balance to Credit of Net Revenue A/c., 30/6/09 ..... | 62666 |
| General Interest A/c.—Credit Balance ..... | 290 |
| Cash in hand and at Bank ..... | 45528 |
| General Stores—Stock on hand ..... | 39363 |
| Traffic A/cs. due to the Company ..... | 73658 |
| Amounts due from other Companies ..... | 12356 |
| Amounts due from Post Office £1446 ; Sundry Debtors | 25103 |
| Unpaid Dividends and Interest ..... | 2612 |
| Debts due to other Companies ..... | 59730 |
| Amount due to the Clearing House ..... | 12417 |
| Sundry Creditors and Suspense A/cs. ..... | 198806 |
| Fire Insurance Fund £23945 ; Reserve Fund ..... | 22419 |
| Employés' Savings Bank Deposits ..... | 17467 |

**Answer.**—*Capital A/c. Balance* £366501; *Revenue A/c. Balance* £218373 ; *Net Revenue A/c. Balance* £226559 ; *Total B/S.* £563955

**NATIONAL UNION of TEACHERS.** (*Advanced,* 1911.)

**1.** Give a ruling suitable for a combined Register of Members and Share Ledger. **2.** Illustrate the sectional system of self-balancing Ledgers by posting direct from the exercise in the Elementary stage of this examination all the items necessary to form a complete Sales Ledger, render it self-balancing, and take out a Trial Balance. **3.** Black & White are equal partners, and their B/S. stands as follows :—Assets : Cash, £400 ; Debtors, £2000 ; Stock, £1500 ; Machinery, £2000. Liabilities : Creditors, £1800 ; Black's Cap., £2900 ; White's Cap., £1200. They decide to dissolve partnership, and the assets realise the following

amounts :—Debtors, £1880 ; Stock, £1200 ; Machinery, £1800. They receive £100 as Discounts from Creditors, and the expenses of Realisation are £230. Prepare a/cs. showing result of winding up.

4. The figures given below relate to the Cornwall Colliery Co. for the year ending 31st Dec., 1910. Prepare Capital A/c. and General B/S. on the Double Account System, and then exhibit the same figures in a B/S. on the Single Account System. Nominal Cap. £250000.

| | | | |
|---|---|---|---|
| 110000 Ordy. Shares of £1 each fully paid | £110000 | Office Buildings | £3000 |
| 60000 6% Pref. Shares of £1 each fully paid | 60000 | Workmen's Cottages | 9000 |
| Debentures 5% | 30000 | Depreciation Fund | 20000 |
| Bills Payable | 6000 | Reserve Fund | 15000 |
| Sundry Creditors | 9000 | Balance to Credit of P. & L. A/c. | 25000 |
| Lands Acquired | 8500 | Stock on hand | 12000 |
| Shaft Sinking, &c. | 111000 | Investments | 17000 |
| Plant & Machinery | 35000 | Sundry Debtors | 35000 |
| Wagons | 13500 | Cash in hand and at Bank | 30000 |
| | | Short Workings A/c. | 1000 |

The above figures include an issue of 10000 Pref. Shares during the year 1910 ; and the following amounts were also spent during the same period :—Shaft Sinking, £6000 ; Machinery, £5000 ; Wagons, £3000 ; Workmen's Cottages, £1000.

5. From the following make out Trading A/c., P. & L. A/c. and B/S. for the Motor Manufacturing Co., Ltd., for the year ending 31st Dec., 1910. Nominal Cap. 80000 Shares of £1 each. Write off the whole of Preliminary Expenses and depreciate Plant and Machinery, Office Furniture, Patterns & Patents at a uniform rate of 7½% per ann. Add £2000 to the Sinking Fund for redemption of Debentures, and leave the reserve for Bad and doubtful Debts at 5% on Sundry Debtors. Stock at the above date, £10087.

| **Dr. Balances—** | | **Dr. Balances** continued— | |
|---|---|---|---|
| Calls in arrear | £1000 | Directors' Fees | £525 |
| Freehold Premises | 18000 | Royalties paid | 450 |
| Plant & Machinery | 20000 | Bad Debts | 150 |
| Interim Dividend paid | 2000 | Debenture Interest | 1000 |
| Stock, 31st Dec., 1909 | 18750 | | |
| Office Furniture | 625 | **Cr. Balances—** | |
| Patterns | 6250 | Subscribed Capital 60000 Shares of £1 each fully paid | 60000 |
| Patents | 3750 | Debentures, 5 per cent. | 20000 |
| Goodwill | 12000 | Sundry Creditors | 16800 |
| Sundry Debtors | 37500 | Balance to Cr. of P. & L., 1st Jan., 1910 | 890 |
| Cash in hand | 150 | Bills Payable | 15500 |
| Cash at Bank—Current A/c. | 3000 | Sales | 122000 |
| Cash at Bank on Deposit | 12000 | Discounts received | 1780 |
| Purchases | 62100 | Interest on Bank Deposit | 300 |
| Preliminary Expenses | 400 | Reserve for Bad & Doubtful Debts | 2250 |
| Sinking Fund Investment | 8000 | Sinking Fund for Redemption of Debentures | 8000 |
| Manufacturing Wages | 30000 | This is represented by Investments, and there is one year's int. at 3½% per ann. due, but unpaid, at the date of making up these accounts. | |
| Repairs & Renewals | 1300 | | |
| Coal | 2225 | | |
| Gas & Water | 175 | | |
| Rates, Taxes & Insurance | 1250 | | |
| Office Salaries | 1000 | | |
| Travelling Expenses | 1325 | | |
| General Expenses | 475 | | |
| Discounts allowed | 2120 | | |

**Answer.**—*Gross Profit*, £21237 ; *Bal. for distribution*, £5890 2s. 6d. ; *Total of B/S.* £127470 2s. 6d.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1912.)

1. Give the meanings of :—Donatio mortis causâ ; Table A ; post obit bond ; restrictive endorsement ; limited partner ; capitalised profits.

2. From the following figures taken from the books of the Camberwell Banking Co., Ltd., you are requested to draft as at 31st Dec., 1911, (*a*) a T.B., (*b*) a B/S., (*c*) a P. & L. A/c. ; and then append, as Auditor, your certificate for publication and presentation to the Shareholders. Current and Deposit A/cs., £7,731,450 ; Acceptances on behalf of Customers, £1,200,000 ; Capital subscribed 50,000 shares of £40 each, £25 per share paid, £1,250,000 ; Reserve Fund (invested in Consols) £600,000 ; P. & L. A/c. bal. to Cr. 1st Jan., 1911, £15,300 ; Int. accrued and paid £25,500 ; Current Exs., Salaries, Rent, &c., £71,250 ; amt. added to Staff Retirement Fund £3000 ; Premises A/c., amt. written off £22,500 ; Gross Profit for year, after providing for Bad and Doubtful Debts £244,500 ; Cash in hand and at Bank of England £1,584,750 ; Money at Call and Short Notice £274,250 ; Consols (Reserve Fund) £600,000 ; Consols and Securities guaranteed by British Government £825,000 ; Colonial & Railway Stocks £637,500 ; English Corporation Stocks, £235,500 ; Bills discounted £379,500 ; Loans and Advances £4,665,000 ; Bank Premises, Furniture, &c., £337,500 ; Freehold and Leasehold Properties £180,000. **Answer.**—*Total of T.B.* £11041250 ; *Profit* £122250 ; *Total of B/S.* £10919000.

3. Black & White have been in business together for three years ending 31st Dec., 1910, at which date they agree to dissolve partnership. Black takes over the business, and agrees to pay White £1800 for his share of the Goodwill. Black has drawn out £500 each year, and White £650 each year. Black's Cap. at the start was £3000 and White's £4000. The profits of each year were £1000, £1200, and £1350 respectively. There was no deed of partnership and no arrangement as to int. on Cap. Draft Cap. A/cs. (in White's show the amt. he will receive on going out), P. & L. A/c. in Black & White's books, and Goodwill A/c. in Black's books.

4. John Brown's B/S. showed the following Assets and Liabilities :—Freehold Premises £75,000; Stock £50,000 ; Sundry Debtors £35,000 ; Patent Rights £10,000 ; Cash at Bank £3000 ; Sundry Crs. £22,000 ; B/P. £3000. The Universal Machinery Co. was formed to purchase the business for the sum of £170,000, payable as to £50,000 in Ordy. Shares, £50,000 in Pref. Shares, £50,000 in 4% Debentures, and the balance in cash, the Co. agreeing to take over the Liabilities and Assets of J. Brown, with the exception of the Bank balance. The Registered Cap. of the Co. was £200,000 divided into 100,000 Ord. Shares of £1 each, and 100,000 Pref. Shares of £1 each. The balance of these Shares were issued for subscription by the public, payable 5s. per share upon application, 5s. per share on allotment, and 10s. per share one month after allotment. The Ord. Shares were over-subscribed by 2,000 Shares, the Pref. Shares were fully subscribed, and, including the Vendor's, both classes and the Debentures were duly allotted on 1st Feb., 1910. By 31st May all Cash had been received, except the amounts due on

allotment and Call A/cs. with respect to 100 Ordy. Shares and 80 Pref. Shares. The Directors had paid the Vendor the Cash due to him; also £2500 on account of Preliminary Exs., and declared forfeited the shares upon which allotment and call money were in arrear. Give the Journal and Cash Book entries which should appear for the above transactions and the Ledger A/c. for Forfeited Shares.

5. John Jenkins died on 1st March, 1910, leaving the following estate :—Cash in the house £50; Cash on deposit at Bank £2500; Cash on Current A/c. £275; Household Furniture £1000; Mortgage at 5% of Freehold Premises to secure £2400, 6 mos. Int. being due on 1st May, 1910; £3000 Russian 4% Consolidated Railroad Bonds valued at 96. A quarter's Int. is due on 1st Apr., 1910, and another quarter on 1st July, 1910. Debts due to the Testator £900. Life Policies and Bonuses £3000. Sundry Creditors £95. The son was to have an immediate Legacy of £1000 (Duty 1%), which was promptly paid, the residue being left to the widow absolutely. Funeral Expenses amounted to £70, Testamentary Expenses to £550, and Estate Duty may be taken at £645. By 31st July, the Life Assurance money had been received, also all Int. due on Investments, and £820 from Debtors, the balance being irrecoverable. Write up the books as at that date, taking no account of Income Tax or Int. on Bank Deposit. It will be sufficient to make out (*a*) Estate A/c., (*b*) Cash A/c., (*c*) Mortgage A/c., (*d*) Russian Bonds A/c., (*e*) Income A/c., and (*f*) Balance Sheet.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1913.)

1. How would you verify, as Auditor, the following assets :—(*a*) $\frac{4}{64}$ths S.S. Timbuctoo; (*b*) Freehold Property; (*c*) Consols; (*d*) 10 hhds. brandy at the docks; (*e*) Bills Receivable; (*f*) Patent Rights. 2. P, Q and R are equal partners who decide to dissolve partnership. After realisation of their estate, affairs stood thus :—Liabilities :—Capital: P, £3000; Q, £2000. Assets :—Cash, £3000; R. Overdraft, £500; Deficiency £1500. R. being insolvent and unable to contribute anything, make the final adjustment between P and Q.

3. X, Y, Z & Co. filed their petition in bankruptcy on 31st Dec., 1912. Having obtained the following information from their books, prepare in the usual form a Statement of Affairs and a Deficiency A/c. Cash in hand £33; Cash at Bank £275; Stock-in-Trade cost £1430, estimated to realise £1045; Customer's A/cs.—Good £4400; Doubtful £715, estimated to realise £110; Bad £1320; Machinery, &c. cost £3300, will probably fetch £1100; Freehold Property cost £13200, valued at £9900; this property is mortgaged for £7700; Investments at cost, £1650; market value, £1100; these are held as part security by creditors for £1430. Contingent liabilities on bills discounted £7000, of which £1650 are expected to rank. Unsecured Creditors :—Trade £8800; on Loan £2200; Claims for Rates £66; for Wages £55; and for Rent £110. The partners commenced business on 1st Jan., 1910, with a capital of £6000 in cash. The profits have been, 1st year £5300, 2nd £3000, 3rd £3212. The partner's drawings were, 1st year £2200, 2nd £5500, 3rd £3850.

Answer.—*Deficiency* £4048. *Total of Statement*, £12980.

**4.** From the following figures make out the Revenue A/c. and B/S. of the Commonweal Life Assurance Co. for the year ended 31st Dec., 1912 :—Funds at beginning of year £5,744,148, this amt. includes Shareholders' paid-up Cap. £87,500, and Investment Res. Fund £40,000; Premiums (less Re-assurances) £355,674; Consideration for Annuities Granted £11,338; Interest & Dividends £223,535; Fines for Revivals of Policies £358; Claims announced but not paid £76,135; Annuities due but not applied for £427; Bank Loan £50,000; Premiums paid in advance £575; Claims by death £337,955; Claims by survivance £32,226; Surrenders £37,303; Annuities £38,688; Commission £11,417; Expenses of Management £43,770; Interest and Dividends to Shareholders £9878; Bonuses in reduction of Premiums £11,156; Income Tax £8,594; Mortgages in United Kingdom £902,956; Mortgages out of United Kingdom £394,360; Loans on Company's Policies £415,269; Colonial Government Securities £569,517; Foreign Government Securities £172,760; Colonial Municipal Securities £850,320; Railway Shares & Debentures £2,042,477; Loans on security of Public Rates £425,360; Outstanding Premiums £77,651; Int. accrued but not yet payable £69,613; Cash in hand and on Current A/c. £10,920.

**Answer.**—*Total Revenue A/c.* £6207553; *Total B/S.* £5931203.

**5.** The following balances relate to the Lunar Electric Supply Co., Ltd., for the year ended 31st Dec., 1912. Make out (*a*) Capital A/c., (*b*) Revenue A/c., (*c*) Net Revenue A/c., (*d*) Depreciation Fund A/c., (*e*) Sinking Fund A/c., and (*f*) B/S. as on that date. Of the balance of profit, appropriate £2000 to Depreciation Fund, and £3000 to Sinking Fund, before ascertaining the amount available for shareholders' dividend.

| | | | |
|---|---|---|---|
| 20,000 Ordy. Shares, £5 each, fully paid | £100000 | Interest on Bank Loan | £250 |
| Debenture Stock | 320000 | Interest on Sinking Fund Investments | 150 |
| Lands & Charges incidental to acquisition | 136092 | Receipts for Sale of Current | 45700 |
| Buildings & Works | 113418 | Meter & other Rents Receivable | 1705 |
| Machinery, Plant, &c. | 143175 | Transfer Fees | 5 |
| Mains & Cost of Laying | 39817 | Discounts on Purchases | 70 |
| Tools and Loose Plant | 2194 | Received for Sale of old Materials | 10 |
| Accumulators | 1023 | Balance to Cr. of last Net Revenue A/c. | 5402 |
| Office Furniture & Fittings | 245 | Depreciation Fund, Bal. to credit | 3000 |
| Electrical Instruments | 200 | Sinking Fund, Bal. to credit | 5000 |
| Artesian Well | 350 | Sundry Creditors | 6873 |
| Law & Parliamentary Charges *re* Company's Act | 6000 | Bank Loan | 20000 |
| Coal, Carriage, &c. | 13404 | Capital Reserve | 4000 |
| Oil, Waste & other stores | 1813 | Stores on hand :—Coal | 2900 |
| Salaries of Engineers and Officers | 1147 | Oils, Waste, etc. | 1200 |
| Wages at Station | 3347 | Sundry Debtors | 16500 |
| Repairs & Maintenance | 780 | Rates and Insurance paid in advance | 400 |
| Rents, Rates & Taxes | 2500 | Investments on a/c. of Sinking Fund | 5000 |
| Management Expenses | 2230 | Cash in hand and at Bank | 4500 |
| Law Expenses | 150 | | |
| Insurance & Special charges | 480 | | |
| Int. on Debenture Stock | 12800 | | |

**Answer.**—*Cap. a/c. bal. to Gen. B/S.* £22514; *Revenue a/c. bal.* £21639; *Net Revenue a/c. bal.* £8991; *Total B/S.* £53014.

## NATIONAL UNION of TEACHERS. (*Advanced*, 1914.)

**1.** Explain : Acceptor for honour supra protest, p.p. endorsement (with an example), hotchpot, per stirpes, minimum subscription, voidable contract. **2.** From the exercise in the Elementary Stage of this Examination, compile a self-balancing Sales Ledger, and take out a Trial Balance.

**3.** The following items compose the Balance Sheet of the X Y.Z. Co., Ltd., as on 31st Dec., 1913 :—Liabilities :—Capital 15000 Ordinary Shares of £1 each, fully paid ; Bills Payable £500 ; Sundry Creditors £2500 ; Mortgage on Freehold Premises £2000 ; Net Profit for the year £3000. Assets :—Cash £6000 ; Sundry Debtors £3000 ; Stock on hand £4000 ; Freehold Premises £10000. The Directors propose to pay off the Mortgage on Freehold Premises, to distribute a year's dividend at the rate of 12%, less income tax at 1/2 in the £, to purchase £1,000 Consols at 72 (neglect brokerage) to form a Reserve Fund, and to carry forward the balance of Profit & Loss. The above proposals having been duly approved, you are requested to raise the necessary ledger accounts showing these transactions and draw up a fresh B/S., showing the changed state of affairs.

**4.** The B/S. of Messrs. King and Duke stood on 31st Dec., 1913, as follows :—Liabilities :—Creditors £2500 ; Loan by King £2000 ; King's Capital £1200 ; Duke's Capital £4300. Assets :—Debtors £1800 ; Freehold Premises £5000 ; Stock £3200. The partners share profits and losses equally. They decide to wind up the business as on 31st Dec., 1913. The book debts realised 80%, Freehold Premises 70%, and Stock 75%. Make out the usual accounts closing the books of the firm.

**5.** The Trial Balance of the British Aeroplane Co., Ltd., for the year ending 31st Dec., 1913, is given below. Prepare Trading and P. & L. A/cs. and B/S., after making the following adjustments :—Depreciate Plant & Machinery, Patterns and Patents 10%. Write off £200 from Preliminary Exs. Add £1000 to Sinking Fund for redemption of Debentures. Provide for a half-year's Debenture interest due 1st Jan., 1914. Leave Bad and Doubtful Debts Reserve at 5% on Sundry Debtors. **Stock** £8075.

| **Dr. Balances**— | |
|---|---|
| Calls in arrear | £500 |
| Freehold Premises | 20000 |
| Plant & Machinery | 22000 |
| Interim dividend paid 1st Aug., 1913 | 2500 |
| Stock, 31/12/12 | 19000 |
| Office Furniture | 525 |
| Patterns | 5150 |
| Patents | 4000 |
| Sundry Debtors | 27700 |
| Cash in hand | 450 |
| Cash at Bank | 8800 |
| Purchases | 63655 |
| Preliminary Expenses | 800 |
| Sinking Fund Investments | 5000 |
| Manufacturing Wages | 29500 |
| Repairs & Renewals | 1200 |
| Coal, Gas & Water | 2500 |
| Rates & Taxes | 1750 |
| Salaries | 1125 |
| Travelling Expenses | 1075 |
| Discounts allowed | £2020 |
| Directors' Fees | 420 |
| Bad Debts | 250 |
| Debenture interest paid 1/7/13 | 400 |

| **Cr. Balances**— | |
|---|---|
| Authorised Cap. £60000 divided into 60000 shares of £1ea. Subscribed and fully called cap. | 40000 |
| Debentures, 4% | 20000 |
| Bal. of P. & L. A/c. last a/c. | 2140 |
| Bills Payable | 9000 |
| Sundry Creditors | 17700 |
| Sales | 123500 |
| Discounts received | 1180 |
| Sinking Fund for Redemption of Debentures | 5000 |
| Bad & Doubtful Debts Res. | 1250 |
| Royalties received | 350 |
| Int. on Sinking Fund Investments | 200 |

**Answer.**—*Gross Profit*, £19420 ; *Net Profit*, £6360 ; *Total of B/S.* £97800.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1915.)

**1.** Explain :—moratorium, exchequer bills, exchequer bonds, garnishee order, private company, secret reserve. **2.** A colliery is leased to a company subject to a royalty of 6d. per ton on the output, and a minimum or dead rent of £600 per ann. Allowances for "short workings" are provided for. During 5 years the coal actually won amounted to 12000 ; 18000 ; 24000 ; 30000; and 45000 tons respectively. Make out, in the company's books, for the period in question, Royalties A/c., Landlord's A/c., Short Workings A/c.

**3.** A company having a registered capital of £100,000 in £1 shares issued on Jan. 1, 1915, 60000 shares at a premium of 2s. per share payable 10s. per share on application and 12s. on allotment, including the premium. The shares were duly subscribed and allotted on Jan. 8, 1915. The Company acquired on the same date a business for £50000 payable as to £40000 in fully paid shares, and £10000 in cash. The registration and formation expenses, which amounted to £2000, were paid out of the premium on the shares, and the balance was carried to Reserve Fund. Make out the ledger a/cs. necessary to record these transactions, also a Balance Sheet.

**4.** John Brown filed his petition on Dec. 31, 1914. Prepare his Statement of Affairs and Deficiency A/c. Creditors unsecured £37500 ; Creditors partly secured by lien on Debentures, £20000 ; Creditors fully secured by lien on Stock-in-trade, £50 ; Liabilities on Bills discounted, of which £1750 is estimated to rank, £3500 ; Mortgage on Factory, £5000 ; Creditors for Rates, Taxes, Wages, &c., payable in full, £1500 ; Book Debts:—Good, £10000 ; Doubtful and Bad, £5000, estimated at £1000 ; Consignments :—Good, £2500 ; Stock-in-trade, estimated to produce £20000, £30000 ; Debentures cost, and estimated to realise £8000 ; Cash at Bank, £100 ; Bills receivable, £650 ; Factory estimated at £5500 ; Machinery expected to realise £6000, cost £7500 ; Fixtures expected to realise £750, cost £1500 ; Houses expected to realise £1500, cost £1750 ; On Jan. 1, 1909, he had a Capital of £25000. Profits of £10250 were made in 6 years, after allowing £5000 as interest on Cap., and withdrawals £31800.

**Answer.**—*Deficiency* £9800 ; *Total Statement of Affairs* £51250.

**5.** Thomas Watkins died on Feb. 28, 1915, leaving the following estate :—Cash in the House, £75, cash on deposit at bank, £3000, cash on current account, £250, household furniture, £1200, mortgage at 6% held on freehold premises to secure £4000, 6 months' interest being due on June 30. Debts due to Testator £1000 ; of these £50 proved to be irrecoverable. Life Policy with profits £3300. Sundry Creditors £130. There was a legacy to his coachman of £200, and another of £100 to his housekeeper, both being strangers in blood. The residue was left to his son absolutely. Funeral expenses amounted to £35. Testamentary expenses to £350, and estate duty may be taken at 5%. By July 31, all amounts due to the estate had been received and all claims discharged. Write up the books as at that date, taking no account of Income Tax, or Bank Interest. It will suffice to show (*a*) Estate A/c., (*b*) Cash A/c., (*c*) Mortgage A/c., (*d*) Income A/c., (*e*) Legacies A/c., (*f*) Balance Sheet.

**NATIONAL UNION of TEACHERS.** (*Advanced*, 1916.)

**1.** Explain :—Special commissioners, floating charge, clog on redemption, partnership lien, no consideration, inscribed stocks. **2.** On 31st Dec., 1915, the B/S. of Black & White stood as follows :—*Liabilities* :—Sundry Creditors, £750 ; Black's Cap. A/c., £4250 ; White's Cap. A/c., £2500. *Assets* :—Cash, £1825 ; Sundry Debtors, £3000 ; Premises, £1375 ; Stock, £1300. Black buys out White, agreeing to pay him £3200 for his share of the Assets and Goodwill of the business as it stands, £600 being paid at once and the balance to be paid in three months' time. Show the B/S. of Black as on 1st Jan., 1916 (after the transaction has been completed), also the Cap. A/cs. of Black and White.

**3.** From the following make out the B/S. and P. & L. A/c. of the Universal Bank, Ltd., for the half-year ended 31st Dec., 1915. Paid-up Cap., viz. :—£12 10s. per share on 303,928 shares of £60 each, £3,799,100 ; Reserve Fund, £3,419,190 ; Current, deposit, and other a/cs., £66,974,403 ; Acceptances on behalf of customers, £5,103,990 ; Cash in hand and at bank of England, £11,654,203 ; Money at call and at short notice, £9,190,416 ; Consols and other Government securities, £4,031,938; Indian Railway Stocks, £631,979 ; British Railway and Corporation stocks, £2,782,336 ; Colonial and Foreign stocks, £1,252,900 ; Sundry Investments, £881,166 ; B/E., £8,503,128 ; Advances and loans on security, £34,002,460; Balance of Profit from last a/c., £173,505 ; Net Profit for half-year ended 31st Dec., 1915, after providing for Bad and Doubtful Debts, £369,536 ; Written off Bank Premises, £20000 ; Added to Officers' Pension Fund, £5000 ; Bank Premises, Head Office and Branches, £1,780,208 ; Provide for £30000 as rebate on bills not yet due, and for £341,919 as dividend payable 1st Feb., 1916. Carry forward the bal. of Profit & Loss.

**4.** From the following make out a Coal Production A/c. and a Coke Production A/c. for the year ended 31st Dec., 1915. Show the cost of each item of expense per ton of coal and coke respectively, taking the coal used for coke-making at cost price. 1st Jan., 1915, Stock of Coal on hand 9000 tons valued at 6/8 per ton. Coal consumed at the Colliery, £3500 ; Wages paid for Coal production, £37000 ; Timber, £4000, Ropes, £750, Stores, £4250, used for Coal production ; Rates, taxes, &c., for Coal production, £4500 ; Salaries paid for Coal production, £3000 ; Royalties paid, £5000 ; Sales of Coal (including colliery consumption) 153,000 tons, £56000. Sales of Coal to Coke Production A/c. 78000 tons at cost, as ascertained by this a/c. Total colliery output of coal 240,000 tons. 31st Dec., 1915, Stock of Coal on hand 18000 tons valued at 6/8 per ton. 1st Jan., 1915, Stock of Coke on hand 1500 tons valued at 12/- per ton. Wages paid for Coke-making, £2900 ; Stores used for Coke-making, £2000 ; Salaries paid for Coke-making, £600 ;

Sales of Coke 48,500 tons, £30517; Total output of Coke 48000 tons. 31st Dec., 1915, Stock of Coke on hand 1000 tons valued at 12/- per ton.

5. The balances below relate to the Cornwall Gas Co., Ltd., for the half-year ended 31st Dec., 1915. Make out Cap., Revenue, and Net Revenue A/cs., and B/S. as at that date. Cap. receipts :—Ord. Stock, £2,965,000; Deb. Stock, £1,266,034; Premiums on the above, £808,860. Cap. expenditure to 30th June, 1915, £4,715,184; Cap. during half-year to 31st Dec., 1915, viz. :—New Buildings & Machy., £20860; New & additional Mains & Services, £16147; New and additional Meters, £14539; New and additional Stoves, £9426; Purchase of New Land and Incidentals, £1126; Cr. By Sale of Land, £898; Expended on Manufacture of Gas :—Coal & Oil, £328,044; Purification, £21518; Salaries & Wages at Works, £73442; Repairs & Maintenance of Works, £101,707; Co-partnership bonuses, £18000. Expended on Distribution of Gas :—Repairs & Renewals of Mains, &c., £101,752; Expended on Public Lamps, £1576. Rent, Rates, & Taxes, £39537; Management exs., £29693; Parliamentary & Law Charges, £2806; Bad Debts, £1782; Contributions to Pension, Sick, & Accident Funds, £5733; Gas Referees & Official Auditor, £328; Receipts from Sale of Gas, £569,782; Public Lighting, £14704; Meter & Stove Rents, £55521; Sale of residual products, £256,657; Rents receivable, £1595; Transfer Fees, £95. Int. on Temporary Loan & Deposits with Co., £1984; Int. on Deb. Stock of which £26115 is due but unpaid at this date, £27490; Bal. to credit of Net Revenue from last a/c., £65374; Int. allowed by Bank, £540; Cash in hand & at Bank, £35710; Investments, £210,784; Stocks of Stores on hand & Sundry Plant, £381,323; Stocks of Coke & other Products, £35999; A/cs. due to the Co.—Gas, Rents, &c., £307,834; Bals. due for Gas & Hire purchase fittings, £58292; Bals. due for Street Lamps, Repairs, &c., £15232; Reserve Fund, £162,067; Renewal Fund, £22650; Insurance Fund, £102,188; Sundry Creditors, £76574; Deposits by Consumers & Workmen with Co., £67090; Unpaid divs., £1800; Officers' Superannuation & Guarantee Funds, £24304; Temporary Loan from the Bank, £90000.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Advanced*, 1903.)

PART I. (1) What books is a Company registered under the Companies' Acts required by statute to keep? (2) Define as accurately as you can a Bill of Exchange and a Promissory Note. (3) What is a del credere Agent? (4) How would you treat a partly sold consignment in a B/S. ? (5) How would you proceed to find an error in a T.B. ? (6) What is the difference between an Income and Expenditure A/c. and an A/c. of Receipts and Payments ?

PART II. On 31st December, 1902, the T.B. of Thomas Loose & Co., Ltd., was as under. Prepare a P. & L. A/c. and B/S. after making necessary adjustments. Write 5% Depreciation off Plant; 1½% off Land and Buildings. Stock £25943 2s. 11d.

| Dr. Balances— | | | |
|---|---|---|---|
| Unpaid Calls | £87 | 2 | 6 |
| Debtors | 6880 | 3 | 6 |
| B/R. | 3148 | 10 | 10 |
| Cash | 61 | 11 | 9 |
| Cash at Bank | 5284 | 12 | 8 |
| Land & Buildings | 38080 | – | – |
| Plant | 56230 | – | – |
| Consignments* | 2694 | 18 | 3 |
| Stock, 1st Jan. | 21721 | 19 | 4 |
| Suspense A/c. | 186 | – | – |
| Int. on Debentures and Loans to 30th Sept. | 1725 | – | – |
| Trade Charges | 9126 | 17 | 5 |
| Wages | 25683 | 12 | 8 |
| Directors' Fees | 750 | – | – |

| Dr. Balances continued.— | | | |
|---|---|---|---|
| Management & Office Salaries | £2201 | 12 | 6 |
| Agency Expenses | 876 | 15 | 4 |
| Raw Materials | 52020 | 16 | 10 |
| Repairs | 2373 | 17 | 8 |
| **Cr. Balances—** | | | |
| Share Capital 100000 shares of £1 ; 17/6 paid | 87500 | – | – |
| 4½% Mortgage Debenture Stock | 50000 | – | – |
| P. & L. A/c. | 604 | 3 | 7 |
| Trade Creditors | 4630 | 1 | 11 |
| Loans at 5% | 1000 | – | – |
| B/P. | 716 | 12 | – |
| Sales | 84682 | 13 | 9 |

*This has been treated as a loss.

**Ans.**—*Gross Loss* £622 7 10 ; *Net* £12507 7 4 ; *Deficiency* £11903 3 9.

PART III. Richard Humphrey's B/S. on 31st Jan., 1902, was as follows :—**Assets** :—Sundry Drs. £106 2s. 3d. ; Stock at cost £395 11s. 9d. ; Cash in hand £1 2s. 11d. ; Shop fittings at cost £173 12s. 6d. **Liabilities** :—Bank Overdraft £241 19s. 3d. ; Trade Crs. £378 14s. ; John Joker, for Rent, £15 ; Capital £40 16s. 2d. Being pressed by creditors he filed his petition in bankruptcy. On going through the list of debtors he found that of the amount entered in the books £60 11s. 3d. was irrecoverable, and that accounts amounting to £10 11s. 6d. were disputed. He estimated that the stock, if sold by auction, should realise £315, and that the shop fittings would realise £45. His household furniture was estimated at £280. He owed to sundry tradesmen £55 4s. 6d., and a year's rent for his dwelling house at £35 per ann. He also owed £2 1s. 6d. Income Tax, and £8 15s. for Rates. The shop assistant had not received her wages for the previous two weeks at 17s. 6d. a week. Prepare Statement of Affairs. **Answer.**—*Deficiency* £62 6s. 10d.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Advanced*, 1904.)

PART I. **1.** If you were given books which had been kept on Single Entry for some years, how would you convert the system to Double Entry ? **2.** Give a specimen ruling of a purchase book suitable for home trade warehouse, and make three entries. **3.** In the case of a sale and purchase of a business, when all the books are taken over, what entries are necessary ? **4.** What are the meanings of the following terms :—Founders' Shares, Mortgage Debenture, Preference Share ? **5.** Give the ruling for a Share Register. **6.** Describe sectional balancing of books.

PART II. Prepare Trading, P. & L. A/cs. and B/S. of John Stephens & Co., Ltd., from T.B. dated 31st Dec., 1903, the **Stock** being £3197 16. Write 2½% off Land and Buildings ; 6% off Machinery and Plant ; 10% off Goodwill ; 25% off Formation Exs. ; and 7½% off Office Furniture. The Company was registered on 15th Dec., 1902, and commenced Trading on 1st Jan., 1903. Capital £80000 ; divided into 30000 £5% Cumulative Pref. Shares of £1 each fully paid ; and 50000 Ord. Shares of £1 each, 40000 having been issued and 15/- per share having been called up.

**The dividends upon the Pref. Shares are payable 1st April and 1st Oct.**

| Dr. Balances— | | | | Dr. Balances continued— | | | |
|---|---|---|---|---|---|---|---|
| Sundry Debtors ..... | £9507 | 3 | 9 | Management and Office Salaries ..... | £1530 | – | – |
| Patents, 2 years expired | 3000 | – | – | Wages ..... | 20921 | 11 | 8 |
| Royalties ..... | 294 | 8 | 11 | Formation Expenses.. | 2397 | 18 | 2 |
| Int. Div. paid on Pref. Shs. less Tax, 1st Oct. | 1073 | 8 | 9 | Calls in Arrear ..... | 50 | – | – |
| Chief Rents ..... | 12 | 4 | 8 | Suspense ..... | 1316 | 12 | 9 |
| Land & Buildings ... | 17600 | – | – | Cottages ..... | 2000 | – | – |
| Plant & Machinery .. | 28896 | 14 | – | Trade Expenses ..... | 6772 | 6 | 2 |
| Office Furniture..... | 412 | 10 | – | Purchases ..... | 49793 | 4 | 10 |
| Goodwill ..... | 10526 | 5 | 4 | | | | |
| Cash in hand ..... | 78 | 4 | 6 | **Cr. Balances—** | | | |
| Bank ..... | 4493 | 2 | 8 | Mortgage at £4% .... | 10000 | – | – |
| Interest ..... | 408 | – | – | Sundry Creditors .... | 7194 | – | 9 |
| Int. on Mortgages to 30th June, less Tax | 190 | 16 | 8 | Rents of Cottages ... | 102 | 9 | 6 |
| Directors' Fees ..... | 350 | – | – | Transfer Fees ..... | 1 | 12 | 6 |
| | | | | Sales ..... | 84326 | 10 | 1 |

**Answer.**—*Gross Profit* £16515 – 8 ; *Net* £2946 8 11 ; *plus Rents of Cottages* £102 9 6 ; *Balance c/f.* £1600 9 8.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Advanced*, 1905.)

PART I. **1.** What entries would you make recording the forfeiture of share on which two calls had been paid ? **2.** In what classes of undertakings is the Double A/c. system generally adopted ? What do you understand by this system ? **3.** What is the object of book-keeping ? **4.** In the *Manchester Guardian* of 27th Jan., there appeared the following :—"Three of the London Banks were calling in money to-day for 'Window Dressing' purposes, and owing to the apparently heavy revenue payments just now bankers' balances were not large enough to meet the ordinary demands of the money market." What do you understand by this ? **5.** How would you deal with consignments—(*a*) In the books of the consignor ? (*b*) In the books of the consignee ? **6.** What is a Sinking Fund, and how does it operate ?

PART II. **1.** John Green, Cap. £8000 ; Hy. Richards, Cap, £7000 ; Reginald Everitt, Cap. £5000 ; trade together as Green, Richards & Co., each partner is entitled to a salary of £500 per ann., and 5% Int. on Cap. Prepare Trading, P. & L. A/cs., and B/S. on 31st Dec., 1904, the **Stock** being £8316 19 10 ; and write 7½% Depreciation off Machinery and 2½% off Works.

| Dr. Balances— | | | | Dr. Balances continued— | | | |
|---|---|---|---|---|---|---|---|
| Debtors ..... | £5162 | 11 | 1 | Insurance ..... | £63 | 4 | – |
| Bills Receivable..... | 365 | 10 | – | Consignments*..... | 198 | 10 | – |
| Stock, 1st Jan., 1904 | 7017 | 13 | 8 | Bad Debts ..... | 17 | 2 | 6 |
| Purchases ..... | 62169 | 7 | 3 | Sundry Trade Charges | 2838 | 18 | 9 |
| Wages ..... | 3013 | 4 | 4 | | | | |
| Salaries of Staff ..... | 618 | 13 | 8 | **Cr. Balances—** | | | |
| Office Expenses ..... | 493 | 8 | 5 | Creditors ..... | 4726 | 15 | 2 |
| Property—Works .... | 6500 | – | – | Bills Payable ..... | 918 | 19 | 11 |
| Machinery ..... | 10000 | – | – | Reserve for Bad Debts | 100 | – | – |
| Cash ..... | 16 | 14 | 11 | Sales ..... | 73483 | 10 | 10 |
| Bank ..... | 1029 | 17 | 7 | Loans at 5%, Borrowed June 30th ..... | 500 | – | – |
| Discount ..... | 394 | 11 | 3 | Reserve for Discounts | 182 | 11 | 6 |
| Interest on Loans ... | 12 | 10 | – | | | | |

*** Note.—The "Consignments £198 10" has been treated as a loss. The profit has been divided in proportion to the capital, although the Law requires profits to be divided equally in the absence of any agreement to the contrary.**

**Answer.**—*Gross Profit* £9401 15 5; *Net* £1550 16 10; *Bal. of Cap. Green*—£9520 6 9; *Richards*—£8392 15 11; *Everitt*—£6137 14 2.

PART III. Chas. Jackson guarantees a loan of £200 for a friend, hearing that this friend was in financial difficulties and only able to pay about 10/- in the £ if made bankrupt, and being himself pressed by creditors he decided to file his petition. He had a works which cost recently £1000, but on this there was a mortgage of £800, cash at the bank £140 2 3, cash on hand £11 10 –; out of which he gave his solicitor £10 on account of costs. His stock-in-trade had cost £398 4 3, but on forced realisation it would not bring in more than £275; his machinery, etc., ought to sell for £200, and the fittings, etc., for £50; after considering his book debts carefully he thought that £118 10 was good, £296 11 bad, and £76 4 3 doubtful, perhaps worth £30; he had also a B/E. for £87 4. He had unsecured creditors for £753 4 11, had accepted two accommodation bills for £100, and on reference to his bill book found that he had two months before endorsed over Wm. Fletcher's 3 mos. bill for £167 5 – to a creditor. He owed £10 for house rent, £20 for Income Tax, £29 18 3 for rates and £26 16 5 for wages. He had also household furniture worth £175, and a gold watch and chain worth £15. Make out Chas. Jackson's Statement of Affairs. **Answer.**—*Surplus* £162 6 8. *Total B/S.* £1215 11 7.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Advanced*, 1906.)

PART I. **1.** How would you deal with deferred shipping rebates in connection with consignments? **2.** What governs the Rate of Depreciation? **3.** State the advantages or disadvantages of loose leaf ledgers. **4.** Describe a Municipal Corporation Sinking Fund:—(*a*) As to method of contribution to same. (*b*) As to interest received on instalments invested. **5.** How would you deal with Contangos in a Stock Broker's books? **6.** In what way does a Partnership differ from a Limited Liability Company, and what books are necessary for the latter and not for the former?

PART II. Perry & Knowles, Ltd., are Brewers, with a Nominal Cap. of £500000. Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1905, the **Stocks** being:—Brewing Materials £7973 2 4; Sundries £614 12 3. Carry forward £150 as unexpired rates. Write 15% off Barrels, etc., 9% off Horses, Drays, etc., 7½% off Plant & Machinery, 5% off Furniture & Fittings.

| Dr. Balances— | £ | s. | d. |
|---|---|---|---|
| Licensed & other Property | 526672 | 18 | 4 |
| Goodwill A/c. | 22377 | 18 | 4 |
| Formation Expenses | 4305 | 12 | 6 |
| Premiums on, & alterations to, Leases | 16111 | 19 | 4 |
| Wages | 3040 | 8 | 2 |
| Brewing Materials | 30244 | 6 | 4 |
| Trade Defence Fund Contribution, 2 Jan., 1905 (half to be written off) | 75 | – | – |
| Contractors on a/c. of Cap. alterations to Property | 1407 | 16 | 11 |
| Commissions | 234 | 16 | – |
| Discounts | 314 | 4 | 2 |
| Ord. Sh. Div. (Interim, 23rd July) | 3750 | – | – |
| Investments | 9611 | 18 | 4 |
| Sundry Debtors | 28714 | 12 | 1 |
| Pref. Share Dividends | 14227 | 15 | 4 |
| Plant & Machinery | 7104 | 2 | 9 |
| Barrels, &c. | 3106 | 8 | 10 |
| Horses, Drays, &c. | 2114 | 12 | 2 |
| Compensation charges under the Licensing Act (half to be capitalised) | 874 | 10 | – |
| Cash in hand | 34 | 3 | 11 |
| Cash at Bank | 3797 | 8 | 9 |

| Dr. Balances continued— | £ | s. | d. |
|---|---|---|---|
| Int. on Debenture Stk. | 2137 | 10 | – |
| Railway Claims written off | 12 | 7 | – |
| Income Tax | 1083 | 4 | 8 |
| Directors' Fees | 500 | – | – |
| Furniture & Fittings | 207 | 6 | 4 |
| General Trade Exs... | 8214 | 6 | 4 |
| Beer duty paid, less amount charged out | 2823 | 2 | 8 |
| **Cr. Balances—** | | | |
| Ord. Share Cap. | 250000 | – | – |
| 6% Pref. Share Cap. | 249610 | – | – |
| Calls paid on Forfeited Shares | 28 | – | – |
| Mortgages on Licensed Property | 3850 | – | – |
| Reserve Fund | 10000 | – | – |
| Reserve for Loss on Investments | 800 | – | – |
| Reserve for Doubtful Debts | 200 | – | – |
| 4½% Debenture Stock (Int. payable 1st Jan. and 1st July) | 100000 | – | – |
| Sundry Creditors | 6325 | 4 | 7 |
| Recd. on a/c. of Debts written off | 112 | 16 | 8 |
| P & L. A/c., 1st Jan. | 16814 | 12 | 1 |
| Sales, less Returns | 49743 | 2 | 11 |
| Rent A/c. | 5614 | 13 | – |

**Answer.**—*Gross* £22223 – 4; *Net* £11792 7 8; *Total B/S.* £632579 19 –.

PART III. From the foregoing make out Income Tax Return for the Surveyor of Taxes. (*Net Assessment* £12509 4 10).

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Advanced*, 1907.)

PART I. **1.** I buy goods on the 1st March, 1907, dated forward as June. I make up my accounts on the 30th April. How should I deal with this item in my purchases day book, ledger, and balance sheet? **2.** In rendering accounts to the surveyor of taxes for income tax purposes, certain adjustments are necessary. Name at least five of such items, and the reason why they are excluded in arriving at the figures of assessment. **3.** Explain the difference between (*a*) Sinking Fund. (*b*) Reserve Fund. (*c*) Reserve a/c. **4.** What do you understand by :—(*a*) Nominal a/c. (*b*) Real a/c. (*c*) Personal a/c. ? Give two examples of each. **5.** Is it advantageous or not to convert a business into a limited liability company ? Give reasons for your answer. **6.** A friend desires you to advise him as to whether he should invest £1000 (which he has free) in :—(*a*) Ordinary shares of a Company which has paid 8% per ann. during the last three years ; or (*b*) In 6% Cumulative Preference Shares of the same Company ; or (*c*) In 4% Debentures of the same Company. How would you advise him ?

PART II. The nominal capital of the Lancashire & Cheshire Engineering Co., Ltd., is £10000 divided into 10000 Ord. Shares of £1 each, £20000 divided into 20000 7% Cum. Pref. Shares of £1 each, and the Company is authorised to issue £10000 divided into 200 5% first Mortgage Debentures of £50 each. Prepare

**Trading, P. & L. A/cs. and B/S. from the following T,B. as on 31st March, 1907. Stock £3025 10s.; Loose Tools valued at £1870. Depreciate Plant and Machinery 10%; Office Furniture and Fittings 5%; and Patents 20%. Res. £200 for Discounts, and £150 for Bad Debts.**

| Dr. Balances— | | |
|---|---|---|
| Arrears on Ordy. Shares | £70 | – |
| Plant & Machinery | 15000 | – |
| Patents | 3960 | 10 |
| Office Furniture & Fittings | 127 | – |
| Sundry Debtors | 12125 | 10 |
| Purchases | 15965 | 16 |
| Returns off Sales | 267 | 10 |
| Salaries | 200 | – |
| Goodwill | 9788 | 5 |
| Stock of Materials, 31st March, 1906 | 2760 | – |
| Wages, productive | 2576 | 10 |
| Carriage (inwards) | 320 | 5 |
| Carriage (outwards) | 167 | 10 |
| Coal & Coke | 250 | – |
| Loose Tools, 31 Mar., 1906 | 1890 | – |
| Rent, Rates, Taxes & Insce. | 236 | 10 |
| Sundry Expenses | 157 | 10 |
| Discounts allowed | 760 | – |

| Dr. Balances continued— | | |
|---|---|---|
| Bad Debts | £127 | 10 |
| Directors' Fees | 200 | – |
| Interim Pref. Div. paid 15th October, 1906 | 665 | – |
| Bank Charges | 57 | 10 |
| Deb. Int., less Tax | 285 | – |
| Cash in hand | 73 | 4 |
| **Cr. Balances—** | | |
| Ordinary Share Capital | 10000 | – |
| Preference Share Capital | 20000 | – |
| 200 5% 1st Mortgage Deb. £50 each, £30 paid | 6000 | – |
| Sundry Creditors | 5609 | – |
| Returns off Purchases | 287 | – |
| P. & L. A/c. bal. 31 Mar.,'06 | 169 | 10 |
| Discounts received | 200 | – |
| Lloyd's Bank, Ltd. | 1067 | 10 |
| Sales | 24698 | – |

**Ans.**—*Gross* £6120 9; *Net* £1210 10; *Total B/S.* £43321 10.

PART III. Prepare a Statement of Affairs from the following particulars of Jonas Johnson, Manufacturer, Burnley, on the 18th March, 1907. Unsecured Creditors £22100; Fully secured Creditors £9870, Partly secured Creditors £4764, Securities held by Creditors, fully secured, valued at £12107, Securities held by Creditors, partly secured, valued at £2321, Creditors for rents, rates, taxes, and wages (of which £600 only is preferential), £850, Plant and Machinery, book value £12600, estimated to produce only one-third of this sum. Office Furniture estimated to realise £50, Cash in hand £5, Book Debts, good, expected to realise £3000, Doubtful £500, expected to realise £200. Bad £300 expected to realise *Nil.* Life policy on the life of Jonas Johnson, in the Atlas Assurance Co., paid 20 annual premiums of £24 each. Estimated surrender value is $\frac{2}{3}$ths of the amount paid in premiums. How much in the pound does the estate show? **Answer.**—7/5$\frac{3}{4}$. *Deficiency* £15509.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Advanced,* 1908.)

PART I. **1.** In what respect, if any, does an Income and Expenditure A/c. differ from an A/c. of Receipts and Payments? **2.** What do you understand by the term "Depreciation"? How does depreciation apply to Plant and Machinery, leaseholds, and goodwill? **3** Explain the term "Minimum or Dead Rent," and "Royalty," as used in Mining. How would you deal with dead rent in the books of a Colliery Co.? **4.** What do you understand by "Account Current"? Make out such an A/c. for Yeadon & Co. from the following:—

Jan. 1. Sold goods to Marshall & Co., £200, due 1st March.
Feb. 1. Received cash from Marshall & Co., £100.
Mar. 1. Bought goods from Marshall & Co., £500, due 1st May.
Apr. 1. Paid Marshall & Co., £300.
May 1. Bought goods from Marshall & Co., £200.
June 30. Sold goods to Marshall & Co., £300.
Interest 5%, the account to be made up to the 30th June, 1907.

**5.** In preparing a/cs. for the Surveyor of Taxes showing profits taxable under Schedule D, how would you deal with the undermentioned items :—(*a*) Bank Interest ; (*b*) Defalcation by cashier ; (*c*) Depreciation of Land and Buildings ; (*d*) Fire Insurance ; (*e*) Partners' salaries ; (*f*) Int. on cap. ; (*g*) Rents from cottage property ; (*h*) Premium on leasehold ? **6.** In closing the books of a Company, whose a/cs. are made up to the 30th June in each year, you find the following :—(1) Poor and District Rates for the half-year ending 30th Sep. next, £300 paid on 1st June. (2) A number of invoices for goods amounting to £250. The goods were delivered on the 28th June, and were not included in the stocktaking at that date, and the invoices have not passed through the books on the ground that the books are intended for use after 30th June. (3) Rent £1000 per year, payable quarterly. Last rent paid up to 30th April. (4) £600 is expended in cost of issues of Debentures, repayable in 5 years from date of issue. (5) Expenditure of £1000 on advertising new article called "Plato" introduced to the public. How would you deal with these items in the books of the Co. ?

PART II. The Silver Ore Co., Ltd., was formed on the 1st April, 1907, with an Authorised Capital of £60000, divided into 30000 Ord. Shares of £1 each and 30000 5% Cumulative Pref. Shares of £1 each. The whole of the Ord. Shares were issued and fully paid, but of the Pref. Shares 22000 only were issued, and of these 21900 were fully paid, but on the remaining 100 shares 15/- only had been paid. From the following T.B. prepare B/S., Trading A/c. and P. & L. A/c. on 1st April, 1908. Depreciate plant and light railway at 15% per ann. Wagons valued at £400, and loose tools at £300. Promotion expenses to be charged over a period of 3 years. Value of silver on hand £1500. On the 31st Dec., 1907, the Directors decided to forfeit the 100 shares on which only 15/- had been paid up.

| **Dr. Balances—** | |
|---|---|
| Balance at Bank | £10550 |
| Crushing Plant & Machinery | 4000 |
| Cost to date of sinking mine | 2000 |
| Land | 20000 |
| Expenses of promotion of Co. | 600 |
| Royalties paid | 1000 |
| Light Railway, cost | 1200 |
| Wages of Miners, etc. | 6900 |
| Wagons | 500 |
| Advertising | 500 |
| Carriage paid on crushing Plant & Machinery | 180 |
| Erection of Sheds, etc. | 1500 |
| Legal Expenses | 100 |
| Oil | 200 |
| Repairs to Plant | 90 |
| Coal bought | 300 |
| Coal used from own mines | 150 |
| Office Furniture | 150 |
| Salaries | 2000 |
| Interim Pref. Div., paid 2nd Oct., 1907, 5% p.a. less tax | 521/18/2 |
| **Dr. Balances** continued— | |
| Cash in hand | £53/1/10 |
| Directors' Fees | 700 |
| Investment in Rosario Tin Mines, 2000 Ordy. Shares, £5 each, £4 paid | 8000 |
| Brokers' Charges on same | 100 |
| Deposit A/c. at bank, 3% per ann. | 8900 |
| Loose Tools | 440 |
| **Cr. Balances—** | |
| Ordy. Share Capital | 30000 |
| Pref. Share Capital | 21975 |
| Silver sold (cash) | 17000 |
| Other minerals sold (including coal used by the Co.) | 950 |
| Bank Interest | 270 |
| Div. recd. on Investment in Rosario Tin Mines | 320 |
| Interest received on Deposit A/c. at Bank to 31 Dec.,'07 | 120 |

**Answer.**—*Gross Profit* £11100 ; *Net Profit on Working* £6533 ; *Total Net Profit* £7039 15 – ; *Total B/S.* £58492 16 10.

**PART III.** Fred Jackson, on 31st March, 1908, unable to meet his engagements, requires a Statement of Affairs for submission to his creditors. Prepare from the following :—

Leasehold premises held for 99 years, subject to a payment of ground rent, £160 per year. . Book value £10000, Estimated to realise £9000

| | | | | | |
|---|---|---|---|---|---|
| Book Debts, Good .... | „ | 6650 | „ | „ | 6000 |
| Do. Doubtful | „ | 500 | „ | „ | 250 |
| Do. Bad ..... | „ | 750 | „ | „ | — |
| Fixed Plant & Machinery | „ | 4000 | „ | „ | 3000 |
| Stock-in-trade ..... | „ | 2000 | „ | „ | 1400 |

Cash in hand, £10. Life insurance policy for £2500 at death, subject to a premium of £50 a year due and paid 28th Feb., 1908, and held by the Insurance Co. for a loan of £200 ; Surrender value, £500. Household Furniture and effects, £360. Private and household debts, £290. 600 Shares in Cooper & Co., Ltd., of £1 each, 10/- paid up, now quoted at 12/6 per share. Loan on £5000, secured by a first mortgage on the leasehold at 4½% the int. of same being paid to the 31st March, 1908. Unsecured Creditors, £15000. Bankers for overdraft and interest, £5000, holding as security a second mortgage on leasehold of £4000. Loan from E. Taylor, £400, at 5% per ann., interest being paid to 31st March, 1908, who holds as security second charge on life insurance policy. Ground Rent of leasehold accrued since 31st Dec., 1907. Prepare Deficiency A/c. :—On the 1st April, 1905, he had a capital of £12000 in addition to household furniture. His private drawings, as shown in the cash book, were as follows :—For the year ended 31st March, 1906, £4905 ; 1907, £4000 ; 1908, £5000. He made a profit in his business in 1906 of £5000, and in the subsequent years losses of £3000 and £935 respectively. **Answer.**—*Deficiency* £5020.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Senior*, 1909.)

PART I. **1.** What is the meaning of (*a*) forfeited shares, (*b*) premium on shares ? How are they dealt with in a company's a/cs. ? **2.** Having before you the P. & L. A/c. of a manufacturing business, what points would require attention in adjusting it for the purpose of submission for income tax assessment ? **3.** What is a sinking fund ? Give an example, with imaginary figures. **4.** Define an "account current," and make out such an a/c. for Alfred Brown in respect of the following transactions with Charles Dawson :—1908, 17th Jan., Goods sold to Dawson, £200, due 1st Feb. ; 1st Feb., Received Cash from Dawson, £50 ; 18th Mar., Goods bought of Dawson, £300, due 1st April ; 1st April, Paid to Dawson, cash £200 ; 1st May, Goods bought of Dawson, £150 ; 10th May, Goods sold to Dawson, £120, due 1st June. The a/c. to be made up to 1st June, 1908, interest to be at 6% per ann., which may be calculated by months instead of days. **5.** Explain, as applied to the B/S. of a Joint Stock Co., the following :—(*a*) Capital authorised ; (*b*) Calls in arrear ; (*c*) Mortgage debentures ; (*d*) Preliminary exs. On which side of the B/S. would they appear ? **6.** How should the figures be shown in a Company's B/S. in both the following cases :—(*a*) A Company issues £40000 4% Mortgage Debentures at 95% ; (*b*)

**A Company issues £40000 4% Mortgage Debentures at par, and undertakes to redeem both *a* and *b* at the end of 10 years at £105.**

PART II. **1.** The Secretary of the Cheshire Manufacturing Co., Ltd., takes out his balances on the 31st Dec., 1908, and submits to you the following particulars, from which prepare Trading and P. & L. A/cs., and B/S. :—Nominal Cap. £150000, divided into 5000 pref. shares of £10 each, and 10000 ord. shares of £10 each. Reserve for debenture int. £375. Reserve for wages £50. Provide for bad debts £400, insurance prepaid £21. Depreciate land and buildings 1% and plant and machinery £10%. Reserve for discounts, 5% on sundry debtors and 2½% on sundry creditors. **Stock** 31st Dec., 1908, £18763. Value of loose tools at 31st Dec., £2000.

| **Dr. Balances—** | |
|---|---|
| Cost of issue of Debentures | £750 |
| Purchases | 43249 |
| Land & Buildings | 25100 |
| Fuel | 570 |
| Plant & Machinery | 5620 |
| Repairs | 445 |
| Loose Tools, 1st Jan., 1908.. | 1752 |
| Office Expenses | 363 |
| Wages | 9371 |
| Discounts allowed | 517 |
| Salaries | 975 |
| Bad Debts | 275 |
| Postages, etc. | 86 |
| Rates, Taxes & Insurance .. | 524 |
| Travelling Expenses | 302 |
| Interest & Bank Charges ... | 75 |
| Directors' Fees | 550 |
| Stock, 1st Jan., 1908 | 11420 |
| Sundry Debtors | 24300 |

| **Dr. Balances** continued— | |
|---|---|
| Carriage inwards | £220 |
| Goodwill | 10000 |
| Carriage outwards | 410 |
| Debenture Interest paid | 375 |
| P. & L. A/c. loss from last A/c. | 2243 |
| Unpaid Calls, Ordy. Shares | 250 |
| Cash in hand | 114 |
| **Cr. Balances—** | |
| 5000 Pref. Shares, £10 each, £2 paid | 10000 |
| 10000 Ordy. Shares, £10 each, £5 called up | 50000 |
| 150 5% Mort. Debs. of £100 each issued at 95 | 15000 |
| Sales | 53847 |
| Discounts received | 324 |
| Sundry Creditors | 9160 |
| Bank Overdraft | 1525 |

**Answer.**—*Gross Profit* £8548 ; *Net* £872 ; *Total B/S.* £85631.

PART III. Arthur Arnott, Ben Barber and Charles Corson carried on business in co-partnership as Corn Millers, at Salford. On the 1st October, 1907, their cap. was £8000, £5000 and £2000 respectively. By the deed of partnership each partner was to have 5% int. on cap. and a salary of £250 per ann. The only amount drawn out of the business by each partner during the year was the amount of his salary. Before taking into account any interest on partners' cap. or partners' salary, the profit of the business for the year ended 30th Sept., 1908, was £2070. Profits were divided in the proportion of 3, 2, 1, respectively. Prepare P. & L. A/c., and open Partners' Cap. A/cs. showing each partner's position on 30th Sept., 1908. **Answer.**—*Cap. of A.A.* £8685 ; *B.B.* £5440 ; *C.C.* £2195.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Senior*, 1910.)

PART I. **1.** What are the advantages of double entry book-keeping over single entry, and how would you proceed to convert a single entry system into double entry ?

**2.** The County Colliery Co., Ltd., pay a royalty to a ground landlord of 9d. per ton of coal raised, with a minimum of £1200 per ann., with power to recoup short workings. In 1907 they raised 20000 tons ; in 1908, 30000 tons ; in 1909, 44000 tons. How would you deal with these items year by year in the P. &

L. A/cs. and B/S. of the Company ? 3. What do you understand by a Balance Sheet ? State the method and sources of its preparation. How does it differ from a Statement of Affairs ?

4. In the accounts of a private individual, who owns his own premises, how would you deal with the following for income tax purposes :—(*a*) His salary, charged against profits ; (*b*) Interest on Capital ; (*c*) Life Insurance Premium for self and wife ; (*d*) Annual value of premises. 5. What do you understand by :—(*a*) Secret reserves ; (*b*) Cost Accounts ; (*c*) Accommodation Bills ? 6. What do you understand by a Deficiency A/c. ? Set out such an A/c. with imaginary figures.

PART II. 7. The Nominal Capital of the Ideal Newspaper Co., Ltd., is £100000 ; 40000 £1 Preference Shares, and 60000 £1 Ordinary Shares. Prepare Revenue A/c. and B/S. from the following T.B. Reserve for Wages, £48 ; Discounts, £350 ; Bad Debts, £200. Depreciate Freehold Property at the rate of 1% per ann., Plant & Machinery, 7½% per ann. ; Linotype Installation, 10% per ann. ; Motor Vans, 15% per ann. The amount received for Advertisements includes £180 which will not run off until 1910. The Sales include Papers prepaid for 1910 amounting to £350. Stock, 31st Dec., 1909, £1646 15 –.

| Dr. Balances— | |
|---|---|
| Calls in arrear | £75 |
| Freehold Property, 1/1/09 | 28000 |
| Plant & Machinery, 1/1/09 | 9500 |
| Returns & unsolds | 2650 |
| Divs. accrued on Investments | 300 |
| Cash in hand | 130 |
| Liverpoo Banking Co., Ltd. | 5295 |
| Debtors | 5800 |
| Linotype Installation, 1/1/09 | 1300 |
| Linotype Installation, additions made on 30/6/09 | 135 |
| Additions to Plant & Machinery made on 30/6/09 | 980 |
| Stock 1/1/09 | 1750 |
| Investments at cost | 6340 |
| Motor Cars, Vans, &c., 1/1/09 | 845 |
| Motor Cars, Vans, &c., additions made on 30/6/09 | 90 |
| Purchases of Paper | 8250 |
| Purchases of Ink | 475 |
| Salaries | 9230 |
| Wages | £1000 |
| Trade Charges | 7860 |
| Correspondence | 4365 |
| Discounts allowed | 855 |
| Commission | 380 |
| Printing and Stationery | 110 |
| Free Copies | 695 |
| Bad Debts | 75 |
| Repairs | 155 |
| **Cr. Balances—** | |
| 4000 Cum. Pref. Shares of £1 each, 7/6 paid | 15000 |
| 60000 Ordinary Shares of £1 each, 5/- called up | 15000 |
| Calls in advance | 150 |
| Sundry Creditors | 7300 |
| Reserve, 1/1/09 | 10000 |
| Sales (cash and credit) | 22650 |
| Advertisements | 19090 |
| P. & L. A/c., 1/1/09 | 7320 |
| Bank Interest, Dividends, &c. | 130 |

Answer.—*Bal. for Distribution* £10559 5 ; *Total B/S.* £58512 5.

PART III. 8. L. Brier (with cash £8000) and C. Oke (without capital) enter into partnership on 1st Jan., 1905, the agreement stipulating that Brier was to receive 5% interest on his capital before dividing any profit, which was divisible three-fifths and two-fifths respectively. On 31st Dec., 1909, they agree upon a dissolution, when the B/S. was as follows :—

| Liabilities. | | Assets. | |
|---|---|---|---|
| L. Brier, Capital A/c. | £8000 | Book Debts | £14000 |
| J. Harrison, Loan A/c. | 4000 | Stock-in-trade | 5700 |
| Sundry Creditors | 4200 | Machinery, &c. | 2400 |
| Balance of P. & L. A/c. £10000 | | Drawings A/c. :— | |
| Profit for year 1909 .. 2500 | 12500 | L. Brier | 5350 |
| | | C. Oke | 1250 |
| | £28700 | | £28700 |

**L. Brier has not been credited with any interest since the commencement of the partnership.** No interest on drawings or undistributed profits is to be taken into account. The book debts realised £13600; stock-in-trade £4900; machinery £2800. An amount of £500 was also received for goodwill, which had not appeared in the books. Write up the necessary a/cs. to give effect to the above, assuming that all liabilities are discharged and that the costs of realisation, amounting to £300, are also paid by cash. Show the closing of the partners' capital a/cs. The interest on L. Brier's capital is to be reckoned for each year on the original figure of £8000, and no interest on interest need be taken into account.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Senior*, 1911.)

PART I. **1.** The following is the P. & L. A/c. of John Aines, for the year ended the 31st March, 1911. Make out summary for income tax purposes, showing the tax payable, assuming that the surveyor has agreed to assess on the one year's profits. The business premises belong to John Aines, and are assessed under Schedule "A" at £120. The allowance for wear and tear is 5%.

| | | | | | |
|---|---|---|---|---|---|
| To Stock, 1st April, 1910 | £2123 | – | – | By Sales | £8000 |
| „ Purchases | 5896 | – | – | „ Stock, 31st March, 1911 | 1548 |
| „ Trade Expenses | 748 | 1 | 8 | | |
| „ John Aines, salary | 150 | – | – | | |
| „ Life Insurance | 93 | – | – | | |
| „ Schedule "A" tax | 7 | – | – | | |
| „ Mortgage Int. £70, less tax | 65 | 18 | 4 | | |
| „ Depreciation 10% per ann. | 212 | – | – | | |
| „ Interest on Capital | 103 | – | – | | |
| „ Net Profit for the year | 150 | – | – | | |



**Answer.**—*Net Assessment*, £461 18 4.

**2.** What do you understand by (*a*) Floating capital, (*b*) Fixed capital, (*c*) Gilt edged securities? **3.** On the 31st Dec., 1910, your cash book shows that you have in bank the sum of £1200. On checking your cash book with the bank pass book you find that cheques drawn amounting to £212 have not passed through the bank, and also that the bank have not credited you with a sum of £108, cheques paid in on the 31st Dec., 1910. On the same date the pass book shows that the bank have credited you with interest, less charges, £24, which you have not passed through your cash book. Draw up a Reconciliation a/c. showing adjustments between your bank pass book and cash book. **4.** Explain the difference between (*a*) Debenture stock. (*b*) Debentures to bearer. (*c*) Debentures to registered holder. **5.** What do you understand by the "Double Account System" and in what way does it differ from the "Single Account System"? **6.** On the 31st Dec., 1910, John Allison and Albert Baker, trading as Allison & Baker, Cotton Spinners, before taking out their B/S. for the year, decide to have a re-valuation made of certain mill premises which form part of the assets of the business. On the re-valuation being made it is found that the property is worth £10000 more than is shown in the books. It is their desire that the true value shall be shown on their balance sheet. How would you give effect to this in the books of the business?

**PART II.** The following is a T.B. extracted from the books of the Pleasant Hotel Co., Ltd., on the 31st Dec., 1910, from which prepare Revenue A/c. and B/S. Nominal Capital, £25000 divided into 10000 5% cumulative pref. shares of £1 each, and 10000 ordy. shares of £1 each, and 5000 deferred ordy. shares of £1 each. Reserve for debenture int., less tax @ 1s. 2d. in the £; wages and salaries, £128. **Stock,** 31st Dec., 1910—Beer, wines, spirits, &c., £2520; provisions, £164. Depreciate furniture & fittings 5% for the year. Prepare P. & L. Appropriation a/c., assuming that after the ordinary shareholders are allowed 10% free of tax, the deferred ordinary shareholders are to be paid a dividend of 10% free of tax, and the balance c/f.

| **Dr. Balances—** | |
|---|---|
| Purchases— | |
| Beer, wine & spirits, &c. .. | £5450 |
| Provisions..... | 4580 |
| Wages & Salaries ..... | 5230 |
| Rates, taxes, insurance, licenses, &c. ..... | 1890 |
| Laundry ..... | 313 |
| Coals ..... | 129 |
| Carriage & porterage ..... | 236 |
| Sundry Trade Expenses .... | 584 |
| Advertising ..... | 471 |
| Repairs ..... | 208 |
| Freehold Land & Buildings | 35000 |
| Furniture & Fittings ..... | 3671 |
| Stocks :—1st Jan., 1910— | |
| Beer, wines, spirits, &c. .. | 2128 |
| Provisions..... | 320 |
| Cash in hand, £123 12s. 11d. | |
| Preliminary Expenses ..... | 864 |
| Debenture Int. paid less tax to 31st Oct., 1910, £706 5s. | |
| Investments ..... | 5069 |
| Goodwill at cost to Company | 10000 |
| Interim dividend on preference shares, half-year to 30th June, 1910 ...£200 2s. 1d. | |

| **Dr. Balances** continued— | |
|---|---|
| Debtors for apartments not yet entered ..... | £152 |
| Additions to freehold ..... | 2112 |
| **Cr. Balances—** | |
| 8500 5% Cumulative Pref. shares ..... | 8500 |
| 9000 Ordinary shares fully paid | 9000 |
| 5000 Deferred Ordy. shares issued to vendors as fully pd. | 5000 |
| Takings—Beer, wines, spirits &c. ..... | 7862 |
| Sales of food ..... | 6263 |
| Apartments ..... | 8191 |
| Billiards ..... | 212 |
| Sundry Receipts ..... | 159 |
| Discounts received ..... | 390 |
| Transfer Fees ..... | 6 |
| 200 4½% 1st Mortgage debentures of £100 each ..... | 20000 |
| P. & L. A/c., 1st Jan., 1910 | 1510 |
| Sundry Creditors ..... | 4980 |
| Reserve Fund ..... | 5000 |
| Debtors for apartments not yet entered ..... | 152 |
| Parr's Bank, Ltd. ..... | 2212 |

**Answer.**—*Net Profit,* £3220 19; *Balance c/f.* £2930 14 10; *Total B/S.* £59492 1 11.

PART III. W. Lone and T. Stanley are trading as partners in the firm of Lone, Stanley & Co., profits being shared as follows :—W. Lone ⅔rds and T. Stanley ⅓rd. The following is the B/S. of the firm on 31st Dec., 1908 :—

| **Liabilities.** | | **Assets.** | |
|---|---|---|---|
| W. Lone, Capital A/c. ..... | £2000 | Cash ..... | £200 |
| T. Stanley, Capital A/c. ..... | 1800 | Sundry Assets ..... | 27600 |
| Sundry Creditors ..... | 24000 | | |

On the 1st Jan., 1909, they admit M. Maxwell as a partner, on the following terms :—(*a*) Profits are to be divided as to ⅜ths to W. Lone, ⅜ths to T. Stanley, and ¼th to M. Maxwell. (*b*) M. Maxwell to bring £1000 as his capital. (*c*) A Goodwill A/c. is to be raised for £1800, this sum to be credited to the old partners. (*d*) W. Lone is at liberty to withdraw £400 of his capital on 1st Jan., 1909. (*e*) M. Maxwell to have a salary of £400 per ann. out of profits. (*f*) Interest to be allowed on

partner's capital a/cs. at the rate of 5% per ann. No interest on ordinary drawings to be taken into a/c. Each partner is at liberty to draw £40 a month in anticipation of profits (in the case of M. Maxwell the £40 is in anticipation of profits and salary). Assume that all transactions mentioned above have been carried out. The profits for the year ended 31st Dec., 1909, before making any allowance for M. Maxwell's salary, or for interest on partner's capital, amounted to £2510. Show the partner's Capital A/cs., as on 31st Dec., 1909.

**Answer.**—*Balance of Cap. A/cs., W.L.*, £3360; *T.S.*,£2640; *M.M.*, £1270.

## LANCASHIRE & CHESHIRE INSTITUTES. (*Senior*, 1912.)

PART I. **1.** A merchant sells goods, as follows :—1911, Nov. 10, £250; Nov. 26, £100; Dec. 6, £300; Dec. 17, £50. Payment to be made by bill for 6 mos. from date of invoice. From what date can he draw a B/E. on his customer for the total amount, which will be equivalent to drawing separate bills from each of the dates given for the respective amounts ?

**2.** The following is the B/S. of Ramsey and Ryan, as on the 31st Dec., 1911. Up to that date the books had been kept on an incomplete single entry system, and the firm wish you to open a new set of books on the system of double entry. What books would be required, what procedure would be necessary to open them, and briefly what instructions would you give to the book-keeper as to their use ?

| Liabilities. | | | Assets. | |
|---|---|---|---|---|
| Sundry Creditors | | £320 | Cash in hand | £10 |
| Reserve for Wages owing | | 30 | Cash at Bank | 250 |
| Capital A/cs. :— | | | Sundry Debtors | 700 |
| J. Ramsey | £700 | | Stock-in-Trade | 540 |
| H. Ryan | 700 | 1400 | Office Furniture | 50 |
| | | | Plant & Machinery | 200 |

**3.** A company issues £10,000 Debenture Stock at 95%, and pays 1% for underwriting it. Record the transactions in the Company's books by Journal entry. **4.** Define a Balance Sheet and a Statement of Affairs, and explain the difference (if any) between them. **5.** State briefly the facts that would guide you in arriving at the proper figure of depreciation to write off the following assets :—(*a*) Plant & Machinery. (*b*) Leases. (*c*) Patents. **6.** A merchant sold goods to the extent of £5217, and realised a profit of 38.75% on his sales. What was the cost price of goods sold ?

PART II. Farndale & MacLeod, Ltd., Wholesale Stationers, Liverpool, have a registered Cap. of 75000 Shares of £1 each, upon which 15/- per share has been called up. Owing to default by non-payment of calls 500 shares upon which £100 has been received, have been forfeited in accordance with the Articles of Association. From the following T.B. extracted from the books on 31st Dec., 1911, prepare Trading A/c., P. & L. A/c. and B/S. Reserve £500 for Wages, allow 2½% off Debtors and Creditors for dis. Insurance is prepaid £12. Depreciate

Leasehold Premises 1% per ann., Plant & Machy. 5% per ann., Office Furniture 5% per ann. Reserve £125 for Bad Debts. Stock, 31st Dec., 1911, £4174.

| Dr. Balances— | |
|---|---|
| Calls in Arrear | £75 |
| Leasehold Premises, Jan., 1911 | 30500 |
| Plant & Machy., Jan., 1911 | 11000 |
| Additions thereto during year, to be taken as made on 1st July, 1911 | 600 |
| Bad Debts | 272 |
| Cash in hand | 10 |
| Office Furniture, Jan., 1911 | 65 |
| Stock, 1st Jan., 1911 | 3560 |
| Purchases | 21049 |
| Wages | 10747 |
| Salaries | 1020 |
| Carriage Inwards | 74 |
| Carriage Outwards | 119 |
| Insurance | 87 |
| Postages & Telegrams | 43 |
| Rates, Taxes, &c. | 482 |
| Office Wages | 389 |
| Advertising | 58 |
| Repairs to Plant & Machy. | 61 |

| Dr. Balances continued— | |
|---|---|
| P. & L. A/c., 1st Jan., 1911 | £100 |
| Discounts allowed ..... | £2474/15s. |
| Sundry Debtors | 11650 |
| Debenture Int. half-year to 30th June, 1911, pd. less tax..£141/5s. | |
| Directors' Fees | 200 |
| Goodwill | 10000 |
| Advertising Places, &c., at stations as at 1st Jan., 1911, to be written off over 3 years.. | 600 |

| Cr. Balances— | |
|---|---|
| Share Capital ..... | 55875 |
| Forfeited Share A/c. | 100 |
| Reserve, 1st Jan., 1911 ..... | 2000 |
| Sundry Creditors | 1250 |
| Bank Overdraft | 125 |
| Sales | 40700 |
| Discounts received | 327 |
| Debentures, 500 at £10 ea., bearing int. at 6% p.a. | 5000 |

**Answer.**—*Gross Profit* £8944 ; *Net Profit* £2339 12 6 ; *Total of B/S.* £67124 12 6.

PART III. J. Dyson and W. Daw traded in partnership as Dyson & Co., sharing profits and losses $\frac{2}{3}$rds. and $\frac{1}{3}$rd. respectively, and on the 31st Dec., 1911, their B/S. was as follows :—

| Liabilities. | | Assets. | | |
|---|---|---|---|---|
| Sundry Creditors | £2000 | Cash in hand | | £15 |
| Bills Payable | 500 | Bills Receivable | | 250 |
| Bank Overdraft | 1115 | Sundry Debtors | £3000 | |
| Capital A/cs. :— | | Less Reserve for Dis. and Bad Debts | 150 | 2850 |
| J. Dyson ..... £2000 | | Stock-in-Trade | | 2500 |
| W. Daw ..... 1000 | 3000 | Plant & Machinery | | 1000 |

On that date they agreed to sell the business to a limited company, the company to take over at the following valuations :—Sundry Debtors £2700 ; Stock £2200 ; Plant and Machy. £1210 ; the other assets and liabilities at their book values, and the company agreed to pay £1740 for goodwill. The firm received £3000 of the purchase price in £1 fully-paid ordinary shares in the limited company and £1500 in cash, and these assets were distributed among the partners in proportion to their capitals. Show in the books of the partnership :—(*a*) Realisation A/c. ; (*b*) Company's Purchase A/c. ; (*c*) Partners' Cap. A/cs. ; (*d*) Cash A/c. ; (*e*) and the Shares A/c. No other a/cs. are required.

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Senior*, 1913.)

PART I. **1.** Can a trader who keeps his books by single entry ascertain the position of his affairs at the end of the year, and whether he has made a profit or a loss during the year ? Would the results obtained by a trader who keeps his books on the double entry system be equally reliable ? Give your reasons. **2.** What do you understand by the following :—(*a*) Contingent liability ; (*b*) Collateral security ; (*c*) Bonus ?

**3.** A Limited Company acquired a business as a going concern on the basis of accounts made up to the 31st Oct., 1911, being two months prior to the incorporation of the Company. On the 31st Oct., 1912, the books of the Company were closed and the accounts showed a net profit for the year of £9,464. How would you deal with the item of profit in the absence of any express condition ? **4.** A summary of receipts and payments for the year 1912, for the Cheshire Athletic Club, is presented to you, and you are requested to draw up an income and expenditure account for the year. What further information would you require, and how would you proceed ?

**5.** In preparing accounts for the Surveyor of Taxes showing profits taxable under Schedule D, how would you deal with the following items :—(*a*) Bank interest and charges ; (*b*) Loan interest ; (*c*) Repairs to premises ; (*d*) Charitable donations ; (*e*) Preliminary expenses written off ; (*f*) Depreciation on fixtures. **6.** How would you deal with the following items when preparing the annual accounts of a limited company ? (*a*) Interim dividend paid on ordinary shares of £3,000 ; (*b*) Transfer of £5,000 of profit to reserve fund ; (*c*) £1,000 expenses incurred in issue of £12,000 5% debentures, repayable in 12 years from date of issue ; (*d*) Arrears of dividend on cumulative preference shares.

PART II. Mason & Smithson, Ltd., brewers, Manchester, have a registered capital of 50,000 shares of £1 each, divided into 25,000 6% cumulative preference shares and 25,000 ordinary shares. There has been called up on the ordinary shares 10s. per share, while the preference shares are fully paid. From the T.B. prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1912. Write depreciation off the following :—Barrels 15% ; Horses and Drays 10% ; Plant and Machinery 7½% ; Furniture and Fittings 5%. Rates are paid in advance £37 ; Reserve 5% off the debtors for discounts (before deducting bad debts reserve). Reserve £200 off the debtors for bad debts. **Stock** £12,718.

| **Dr. Balances**— | | | | **Dr. Balances** continued— | | | |
|---|---|---|---|---|---|---|---|
| Freehold Property ... | £21500 | – | – | Furniture & Fittings | £112 | – | – |
| Goodwill A/c. ..... | 5000 | – | – | Bad Debts ..... | 215 | – | – |
| Formation Expenses.. | 750 | – | – | Beer duty paid ..... | 5763 | – | – |
| Wages ..... | 3417 | 10 | 6 | Cash in hand ..... | 10 | – | – |
| Purchases, Brewing Materials..... | 32526 | – | – | Horses & Drays ..... | 562 | – | – |
| Commissions ..... | 515 | 14 | 4 | **Cr. Balances**— | | | |
| Loan Int. pd. less Tax to 30/6/12 ..... | 88 | 5 | 8 | Preference Share Cap. | 25000 | – | – |
| Discounts ..... | 2368 | – | – | Ordinary Share Cap... | 12500 | – | – |
| Travelling Exs. ..... | 1812 | – | – | Cash paid on Shares forfeited and since reissued (To be transferred to Freehold Property A/c.) ..... | 15 | – | – |
| Rates & Taxes ..... | 1400 | – | – | | | | |
| General Trade Exs.... | 3659 | – | – | | | | |
| Repairs & Renewals | 663 | 10 | – | Loan on Mortgage at 5% per annum ..... | 3750 | – | – |
| Salaries ..... | 1852 | – | – | | | | |
| Stock, 1/1/12 ..... | 14511 | – | – | Res. for Doubtful Debts | 200 | – | – |
| P. & L. A/c. 1/1/12 .. | 2425 | – | – | Reserve Fund ..... | 5000 | – | – |
| Plant & Machinery .. | 5614 | – | – | Sales ..... | 66796 | – | – |
| Barrels ..... | 777 | – | – | Creditors..... | 10715 | – | – |
| Debtors ..... | 20825 | – | – | Rents Received ..... | 279 | – | – |
| Directors' Fees ..... | 1300 | – | – | Steadfast Bank, Ltd. . | 3411 | – | 6 |

**Answer.**—*Gross Profit*, £23296 9 6 ; *Net Profit*, £7810 – 10 ; *Total of B/S.* £65849 7 –.

PART III. On 31st Dec., 1912, Wm. Gardiner finds that he is unable to pay his creditors in full. From his books and papers and information supplied by him the following particulars were obtained :—Debtors (Good £1000 ; Doubtful £450, estimated to produce £75 ; Bad £225) £1075 ; Cash in hand £28 ; Investments in the Popular Manufacturing Co. £1000 (which is in liquidation and is expected to pay 10s. in the £) ; Property £2896, estimated to realise £2000 ; Stock-in-Trade £650, estimated to realise £500 ; Value of Securities pledged with fully secured creditors £15720 ; Creditors unsecured £4870 ; Fully secured £10000 ; Partly secured (who have a second charge on securities deposited with fully secured creditors) £7500 ; Preferential claims, wages and taxes £345 ; Contingent liability on bills discounted £500, expected to rank £50. Prepare a Statement of Affairs, also make out Deficiency A/c. from 1st Jan., 1910, when he had a Capital of £2000. Profits :—1910, £500 ; 1911, £500 ; Loss, 1912, £866. Withdrawals have been at the rate of £800 per year in addition to other losses which have averaged £160 per annum. (*Deficiency* £2942.)

**LANCASHIRE & CHESHIRE INSTITUTES.** (*Senior*, 1915.)

**Part I. 1.** Explain briefly the object of a bad debt reserve. Upon what basis is it usually formed, and how does it affect the Profit & Loss A/c. and Balance Sheet ? **2.** Prepare from the following figures a "Sales Ledger Adjustment A/c." as it would be shown in the private ledger of a company which balances its ledgers separately :—Jan. 1, 1914, Balances due from debtors, £1281 9s. 2d. ; Dec. 31, 1914, Cash received from debtors, £7712 9s. 7d.; Bad Debts, £120 6s. 6d. ; Interest charged to customers, £82 13s. 4d. ; Discounts allowed, £280 18s. 3d. ; Returns from customers, £491 14s. 4d. ; Sales during year, £8962 5s. 9d. ; Transfers from Dr. side of bought ledger, £9 4s. 1d. The balances due from debtors at Dec. 31, 1914, as extracted from the sales ledger, amounted to £1711 15s. 6d.

**3.** The A. Co. Ltd., is in voluntary liquidation. The paid up share capital consists of 5000 6% Preference Shares and 2500 Ordinary Shares, all of £1 each. The assets realised £9000. The unsecured creditors amounted to £2250, and the costs of realisation (including the liquidator's remuneration) were £500. The pref. shares are preferential as to capital. Show the Realisation A/c. **4.** What is a "Secret Reserve" ? Mention as many examples as you can of secret reserves that could be made by a joint stock bank.

**5.** Make out Return of James Watkins, showing his liability for income tax for 1915-16. His average profits for the years 1912, 1913, and 1914 have been agreed with the Surveyor at £450, £670, and £320 respectively. He owns the house in which he resides, which is assessed under Sch. A. at £50. There is a mortgage on the house at £400 at 4%. He holds £2000 Great Eastern Railway 4% Pref. Stock and £1000 India 3½% Stock.

**6. A trustee in bankruptcy realised £2300 from the assets of the estate, the expenses of realisation (excluding the trustee's remuneration) being £85. The committee of inspection decided that the remuneration of the trustee be allowed at 5% on assets realised and 5% on the amount distributed in dividend. The unsecured creditors were £6000. Prepare an A/c. showing what dividend the unsecured creditors received.**

**Part II.** The following is the T.B. of Maltkins, Ltd:, at 31 Dec., 1914. The authorised capital is £100,000, divided into 10000 6% pref. shares of £5 each, of which 8500 are issued and fully paid, and 10000 ord. shares of £5 each, all of which are issued and £4 per share paid up thereon. Prepare a Trading A/c., P. & L. A/c., Appropriation A/c., and B/S. The **Stock** at 31 Dec., 1914, was :—Malt, £5441 8s. 5d. ; Barley, £1728 16s. 4d. Plant and Machinery is to be depreciated at 7½% per ann., and 10% is to be written off horses and wagons. A reserve for discount of 5% on the full amount of the debtors is to be made, and £150 provided as a reserve for doubtful debts. The articles of association provide that after payment of the pref. dividend the ordinary shareholders are to receive 5% (free of tax) on their holdings, and the balance of profit is to be appropriated as follows :—(*a*) 10% to the directors, as additional remuneration ; (*b*) 25% to reserve ; (*c*) the remainder as determined by the company in general meeting.

| **Dr. Balances—** | | | | **Dr. Balances** continued— | | | |
|---|---|---|---|---|---|---|---|
| Freehold Land & Buildings | £56500 | – | – | Trade Expenses | £343 | 15 | 6 |
| Plant and Machinery | 3620 | 16 | 8 | Coal and Coke | 1741 | 7 | 2 |
| Horses and Wagons | 481 | 3 | 4 | Directors' Fees | 250 | – | – |
| Sundry Debtors | 9882 | 6 | 8 | Income Tax | 422 | 1 | 10 |
| Stocks :—1st Jan.,1914 | | | | Dividend on Pref. Shares for year ended 31 Dec., 1914 (less tax paid) | 2353 | 8 | 9 |
| Malt | 7644 | 12 | 9 | Purchases :— | | | |
| Barley | 1891 | 9 | 2 | Barley, &c. | 71021 | 3 | 5 |
| Wages | 4381 | 18 | 3 | Goodwill, at cost to Co. | 20000 | – | – |
| Carriage and Freight Inwards | 2072 | 6 | 4 | Cash in hand | 87 | 6 | 10 |
| Salaries & Commission | 1782 | 9 | 1 | **Cr. Balances—** | | | |
| Printing & Stationery | 101 | 8 | 9 | Preference Shares | 42500 | – | – |
| Discount allowed | 2184 | 13 | 2 | Ordinary Shares | 40000 | – | – |
| Horsekeep and Stable Expenses | 271 | 7 | 6 | Reserve | 4892 | 17 | 3 |
| Rates, Taxes & Insur. | 172 | 8 | 5 | P.& L.A/c.,1 Jan., 1914 | 1680 | 11 | 9 |
| Gas and Water | 82 | 7 | 7 | Discount received | 1624 | 12 | 9 |
| Repairs and Renewals | 864 | 9 | 1 | Sales :—Malt | 93052 | 1 | 5 |
| Bank Charges | 271 | 16 | 3 | Sundry Creditors | 3692 | 16 | 2 |
| | | | | Bank Overdraft | 981 | 17 | 2 |

Answer.—*Gross Profit* £13210 16 3 ; *Net Profit* £5383 8 9 ; *Bal. c/f.* £1761 17 8 ; *Total B/S.* £96778 2 4.

**Part III.** The following balances were extracted from the books of the Swandale Bank, Ltd., on 31 Dec., 1914. Prepare therefrom a P. & L. A/c. for the half-year, and a B/S. on that date. £1500 is to be written off bank premises and a reserve of £7000 provided against depreciation of investments. Rebate on bills not due at 31 Dec., 1914, was £2842. Provide for the payment of a dividend of 15% free of tax.

| Dr. Balances— | | Cr. Balances— | |
|---|---|---|---|
| Salaries and Other Expenses | £26480 | Int. charged to Customers | £50740 |
| Bank Premises ..... | 41670 | Discount charged on Bills Discounted (including rebate b/f. from 30 June, 1914) ..... | 14216 |
| Bills Discounted ..... | 641264 | Reserve ..... | 150000 |
| Advances to Customers and other A/cs. ..... | 1780360 | Capital :—50000 Shares of £10 each, £4 paid ..... | 200000 |
| Investments :—Consols and other British Gov. Securities ..... | 561440 | P. & L. A/c.—Balance 30 June, 1914 ..... | 12693 |
| Indian Gov. & Rly. Stocks | 91590 | Current Deposit and other A/cs. ..... | 3979363 |
| Colonial Gov. Securities, Brit. Corp. Stocks & Brit. Rly. Debenture Stocks | 168300 | Liability of Customers for Acceptances ..... | 140284 |
| Other Investments ..... | 1920 | Interest on Investments .. | 25416 |
| Interest paid to Customers | 14850 | | |
| Acceptances for Customers | 140284 | | |
| Cash in hand and at B. of E. | 762584 | | |
| Cash at call and short notice | 341970 | | |

Answer.—*P. & L. A/c. Bal. c/f.* £6177 ; *Total B/S.* £4529882.

## LANCASHIRE & CHESHIRE INSTITUTES. (*Senior*, 1916.)

PART I. 1. The X.Y. Co., Ltd., was incorporated on the 1st May, 1915, to take over an existing business as from the 1st Jan., 1915. The share cap., all fully paid, on 1st May, 1915, was £10000. The profit for the year ended 31st Dec., 1915, after providing for depreciation, &c., amounted to £1200. Show how you would propose to deal with this amount. 2. What is the difference between "capital" and "revenue" expenditure? State to which class the following belong :—Repairs to machinery; preliminary expenses; repairs to buildings, additions to machinery.

3. The net profit of A.B., who occupies his own premises, for 1914 was £2400 after charging A.B.'s salary £250, bad debts (actual) £75, income tax, Sch. "A" (at 1/8) £15, Sch. "D" £220, depreciation of plant £92, and bank int. on current a/c., £52. The surveyor allows 5% for wear and tear of plant valued at £1900, and has agreed the profits for 1912 and 1913 respectively at £2852 and £2460. Show on what amount tax under Sch. "D" would be payable for the year ended 5th Apl., 1916.

4.

| Dr. | Trading A/c. | | Cr. | |
|---|---|---|---|---|
| To Stock—Goods .....£2500 | | | By Sales .....£20000 | |
| Materials ... 600 | | £3100 | „ Stock—Goods .....£2000 | |
| | | | Materials ... 700 | 2700 |
| „ Purchases ..... | | 8100 | | |
| „ Wages ..... | | 7000 | | |
| „ Gross Profit ..... | | 4500 | | |
| | | £22700 | | £22700 |

From the above a/c. state :—(1) The cost of materials used ; (2) The percentage of gross profit on turnover ; (3) The cost price of the goods sold, and show how you arrive at your answer.

5. The Deacon Co., Ltd., have a paid-up cap. of £50000, divided into 50000 shares of £1 each. It is decided to pay a bonus out of reserve of 4s. per share, and at the same time to issue a further 10000 shares. Assuming that the new shares

**were taken up by the shareholders in proportion to their holdings in the Co., and that the bonus was returned by the shareholders in payment thereof, draft the journal and cash book entries necessary to record these transactions. 6. State shortly what you consider to be the advantages of the conversion of a private firm into a limited liability Co.**

PART II. The Woollen Co., Ltd., has a called-up share cap. of £30000, divided into 15000 7% cum. pref. shares of £1 each, and 20000 £1 ord. shares, 15s. called up, part of an authorised cap. of £20000 shares of each class. Prepare Trading, P. & L. A/cs., and B/S., at 31st Dec., 1915, from the following T.B. Write depreciation at 2% per ann. off land and buildings, 5% off plant and machinery, 20% off cards, and 5% off fixtures and furniture. Reserve £300 for bad debts and 5% on total debtors for dis. Rates & insurance are prepaid £95. The directors are entitled to a further remuneration of 5% of the net profit before charging their remuneration, income tax, or deb. int. There is a contingent liability on bills discounted amounting to £520. The stock of finished goods at 31st Dec., 1915, was valued at £10261.

| **Dr. Balances—** | | | |
|---|---|---|---|
| Land & Buildings ... | £9400 | – | – |
| Plant & Machinery .. | 6620 | 6 | 8 |
| Cards ..... | 512 | 10 | – |
| Fixtures & Furniture | 268 | – | – |
| Sundry Debtors ..... | 12151 | 10 | – |
| Cash in hand ..... | 36 | 10 | 2 |
| Materials consumed— | | | |
| Raw Wool ..... | 31247 | 18 | 4 |
| Yarn ..... | 2712 | 6 | – |
| Scribbling, scouring, & dyeing requisites | 1271 | 3 | – |
| Carriage on purchases | 160 | 7 | 4 |
| Productive wages .... | 7622 | 7 | 10 |
| Sales returns ..... | 371 | 12 | – |
| Coal and Coke ..... | 1272 | 3 | – |
| Rates and Insurance | 392 | 6 | 6 |
| Incidental Expenses | 92 | 8 | – |
| Salaries and Comm. .. | 1296 | 10 | – |
| Bank Int. and Charges | 260 | 12 | 6 |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| Bad Debts ..... | £272 | – | – |
| Directors' Remuneration | 500 | – | – |
| Income Tax ..... | 342 | 6 | 8 |
| Discounts ..... | 1622 | – | – |
| Bills Receivable..... | 212 | 5 | – |
| Stock of finished goods, 1st Jan., 1915 ..... | 9761 | 15 | – |
| Int. on debentures, less tax, to 30th June, 1915 | 223 | 19 | 2 |
| Goodwill ..... | 15000 | – | – |
| Calls in arrear on ord. shs. | 1500 | – | – |
| **Cr. Balances—** | | | |
| Share Cap. ..... | 30000 | – | – |
| Sundry Creditors .... | 5376 | 12 | 9 |
| Bank Overdraft ..... | 5133 | 6 | 8 |
| P. & L. A/c. 1st Jan., '15 | 2720 | 12 | 9 |
| Sales ..... | 51892 | 5 | – |
| 5% Debentures ..... | 10000 | – | – |

Note.—Income tax on the debenture int. due 31st Dec., 1915, should be deducted at 3/3 in the £.

PART III. Jackson & Brown, equal partners, decided to convert their business into a Private Ltd. Co., as on 31st Dec., 1915, on which date their position was as follows :—Liabilities : Sundry Creditors, £3350 ; Loan on Mortgage, £3000 ; Jackson's Cap., £11000 ; Brown's Cap., £10000. Assets :—Cash at Bank, £1000 ; Sundry Debtors, £5000 ; Stock-in-trade, £7500 ; Motor Vans, £750 ; Machy. & Plant, £4600 ; Land & Buildings, £8500. The new Co. purchased the assets (exclusive of cash) for £24000, and also agreed to discharge the liabilities. The purchase price was payable as to £18000 in £1 shares and the bal. in cash. The partners took 9000 shares each, and cash to settle the amounts due to them. Show the journal and ledger entries necessary to close the books of the partnership.

## MIDLAND COUNTIES UNION. (*Advanced*, 1906.)

PART I. From the following T.B. prepare Trading, P. & L. A/cs. and B/S. of Messrs. H. Oakley and W. Denham, Harness Manufacturers, as on 31st Dec., 1905, sharing profits and losses equally. Allow interest on Partners' Capital at 5% per ann.; depreciate Machinery and Plant 7½%; Fixtures and Fittings 6%; provide for Bad and Doubtful Debts 5%, and for a half-year's int. on Mortgage at 5% per ann. to 31st Dec., 1905; carry 7½% of net profit (if any) to the Reserve Fund. **Stock, £14725 2 6.**

| **Dr. Balances—** | | | |
|---|---|---|---|
| Freehold Premises | £13100 | – | – |
| Fixtures & Fittings A/c. | 3600 | – | – |
| Wages A/c. | 7930 | 1 | 4 |
| Machy. & Plant A/c. | 6000 | – | – |
| Cash A/c. | 472 | 14 | 7 |
| Purchases A/c. | 31038 | 10 | 7 |
| Salaries A/c. | 550 | – | – |
| Stock A/c. (1 Jan. 1905) | 10910 | 5 | 5 |
| Rates & Taxes A/c. | 251 | 9 | 11 |
| Office Expenses A/c. | 104 | 5 | 3 |
| Carriage A/c. | 1066 | 2 | 9 |
| Insurance A/c. | 191 | 11 | 4 |
| Sundry Debtors | 8510 | – | – |
| Int. on Mortgage A/c. | 112 | 10 | – |

| **Dr. Balances** continued— | | | |
|---|---|---|---|
| General Trade Exs. A/c. | £1040 | 17 | 2 |
| Repairs A/c. | 337 | 13 | 1 |
| H.O.'s Drawgs. (incl. int.) | 1767 | 10 | – |
| W.D.'s " | 1482 | 10 | – |
| **Cr. Balances—** | | | |
| H.O. Cab. A/c. (1 Jan., '05) | 10000 | – | – |
| W.D. " " | 9000 | – | – |
| Bills Payable A/c. | 2402 | 8 | 2 |
| Mort. on Premises A/c. | 4500 | – | – |
| Sundry Creditors | 13802 | 18 | 4 |
| Res. Fund (for conting.) | 1050 | – | – |
| Sales A/c. | 45230 | 2 | 10 |
| Banker's A/c. | 2437 | – | – |
| Int. & Discount A/c. | 43 | 12 | 1 |

**Answer.**—*Gross Profit* £9010 5 3; *Net* £4311 10 7; *Total of B/S.* £45316 7 1.

PART II. *Five questions only are to be attempted.* **1.** What is the object of Cost A/cs.? State the two essentially different classes of such a/cs. **2.** What do you understand by the following:—B/E., B/P., P/N., N/P., B/R., Days of Grace? **3.** State the advantages that are derived by the Drawer and the Acceptor of a Bill. **4.** In what Book or Books would you enter the following transaction:—William Miller returned to you 5000 bricks which you had sold to him @ 18/- per M.? **5.** What abatements are allowed in assessing for the purpose of Income Tax, the income of (1) a private person, (2) a Joint Stock Company? **6.** What is a Bill of Lading? State as far as you can the details that appear thereon. **7.** What is the object of the London Bankers Clearing House?

## MIDLAND COUNTIES UNION. (*Advanced*, 1907.)

PART I. Prepare Trading, P. & L. A/cs. and B/S. H. Shepherd and G. Elkington entered into co-partnership as Builders and Contractors on 1st Jan., 1906. Elkington's capital was £1000, Shepherd's was £4000. Profits or losses were to be shared equally, 5% was to be credited to each partner in respect of his cap. and 5% was to be charged on their respective drawings. Elkington was to be credited with £25 each quarter as salary for management. The following is the T.B. on 31st Dec., 1906. No interest had been charged either upon the capital or upon

drawings, nor had Elkington been credited with his salary. The Stock was £3750. The drawings of the partners had been as follows :—Shepherd, Feb. 1st, £50 ; April 1st, £100 ; June 1st, £50 ; Aug. 1st, £50 ; Oct. 1st, £100 ; Dec. 1st, £50. Elkington, Feb. 1st, £25 ; March 1st, £37 10 ; May 1st, £62 10 ; June 1st, £50 ; August 1st, £25 ; Sept. 1st, £37 10 ; Nov. 1st, £62 10 ; Dec. 1st, £50.

| Dr. Balances— | | | | Dr. Balances continued— | | | |
|---|---|---|---|---|---|---|---|
| Purchases | £3857 | 6 | 6 | Plant and Tools | £1437 | 14 | 5 |
| Cash | 365 | 2 | 11 | Shepherd's Drawings | 400 | – | – |
| Rents | 525 | 7 | 6 | Elkington's Drawings | 350 | – | – |
| Taxes & Insurance | 224 | 12 | 6 | Debtors | 4657 | 8 | 6 |
| General Charges | 108 | 2 | 2 | Cr. Balances— | | | |
| Buildings | 2500 | – | – | Sales | 9756 | 10 | 7 |
| Interest & Discount | 250 | 3 | 7 | Bills Payable | 421 | 3 | 4 |
| Salaries | 457 | 10 | – | Creditors | 1062 | 7 | 1 |
| Wages | 1304 | 2 | 6 | Bank | 664 | 19 | 9 |
| Carriage & Freight | 255 | 4 | 7 | Shepherd's Capital | 4000 | – | – |
| Repairs & Depreciation | 212 | 5 | 7 | Elkington's Capital | 1000 | – | – |

Answer.—*Gross Profit* £8089 17 ; *Net* £5979 18 2.

PART II. *Five questions only are to be attempted. Answers are to be given briefly.* 1. Give the primary divisions into which Ledger A/cs. are divided, when it is impossible to keep all the a/cs. in one Ledger. 2. State the meaning of the following as applied to a Company : "Limited," "Unlimited," "Private," "Public." 3. Define shortly :—"Sinking Fund," "Reserve Fund." 4. Make out a Bill for £200 drawn on 6th Dec., 1906, by Hirons & Co., of Leicester, upon A. Jones, of Nottingham, and accepted by him. 5. What are the essential points in drafting a B/E. ? 6. What do you understand by the following :—"Underwriter," "Trustee," "Surety," "Proxy ?" 7. Give the meaning of "Copyright." State the minimum and maximum duration of a Copyright, and also how it is registered.

## MIDLAND COUNTIES UNION. (*Advanced*, 1909.)

PART I. G. Sykes and R. Simpson trade, on equal basis, as the Simplex Manufacturing Co. Prepare Trading, P. & L. A/c. and B/S. on 31st Dec., 1908. Interest at 5% on partners' Capital A/cs., ignoring Drawings. Transfer £75 from the Purchases A/c. and £115 from Wages A/c. to Additions to Plant ; Depreciate Plant A/c. 5% off balance and 25% off additions ; Furniture and Fittings A/c. 5% ; add to Leasehold Premises Redemption A/c. 2½% Interest on balance and Annual Instalment of £37 10 ; Reserve 5% for Bad and Doubtful Debts. Before dividing profits, J. Smith, the Works Manager, is to receive a bonus on the net profits of 2% up to £2500, and 1½% on any Profits over that amount. **Stock, 31st Dec., 1908, £6378 12 6.**

| Dr. Balances— | £ | s. | d. |
|---|---|---|---|
| G. Sykes, Drawings A/c. | 1000 | – | – |
| R. Simpson, Drawgs. A/c. | 750 | – | – |
| Leasehold Premises... | 3270 | 10 | 6 |
| Plant, Machy. & Tools, 1st Jan..... | 6012 | 11 | 8 |
| Do. additions during yr. | 252 | 17 | 4 |
| Furniture, Fittings and Fixtures ..... | 873 | 14 | 6 |
| Cash A/c. ..... | 35 | 17 | 2 |
| Lloyd's Bank, Ltd., Current A/c. ..... | 1014 | 16 | 7 |
| Bills Receivable A/c. | 1173 | 16 | 2 |
| Purchases ..... | 22753 | 14 | 8 |
| Wages A/c., Producers | 7642 | 12 | 9 |
| Wages A/c., Non-prod. | 1013 | 10 | 6 |
| Discounts allowed ... | 1975 | 14 | 6 |
| Carriage & Freight ... | 457 | 16 | 9 |
| Sundry Trade Expenses | 282 | 12 | 8 |
| Gd. Rent, Rates & Taxes | 472 | 16 | 9 |

| Dr. Balances continued— | £ | s. | d. |
|---|---|---|---|
| Coal, Gas & Water, Works A/c. ..... | 522 | 19 | 7 |
| Do. Office A/c. .... | 89 | 17 | 1 |
| Bank Charges ..... | 54 | 13 | 9 |
| Debtors ..... | 9872 | 12 | 6 |
| Repairs to Plant .... | 63 | 18 | 10 |
| Stock A/c., 1st Jan., 1908 | 5274 | 16 | 10 |
| **Cr. Balances—** | | | |
| G. Sykes, Cap. 1 Jan., '08 | 8500 | – | – |
| R. Simpson, Cap., 1st Jan., 1908..... | 6444 | 1 | – |
| Leasehold Premises Redemption A/c. ..... | 675 | – | – |
| Bills Payable A/c. ... | 4573 | 19 | 10 |
| Sales ..... | 38350 | 2 | 6 |
| Discounts received ... | 1162 | 8 | 10 |
| Creditors ..... | 5003 | 16 | 2 |
| Bad Debts A/c. ..... | 152 | 12 | 9 |

**Answer.**—*Gross Profit* £8266 14 5; Net £3878 7 2; *Smith's Bonus* £70 13 6; *Total B/S.* £28126 15 8.

PART II. **1.** What are the rights and privileges of the holders of Mortgage Debentures, Cumulative Preference Shares, Deferred Shares? **2.** T. Brown purchased a second-hand Lathe for £25 which he used for some time; but subsequently purchased a more modern Lathe from Sagar & Co., for £65, they agreeing to take the old Lathe in part payment; allowing for same £35. Show these entries in T. Brown's A/cs. **3.** How should a manufacturer arrange his Trading A/c. having regard to the checking of his Cost A/cs.? **4.** Thompson & Co., of Canada, instruct P. Brown, of London, to draw upon them at sight in payment of a/c. £57 10. Give the form of the bill and describe how P. Brown would proceed to collect the same. **5.** Explain the meaning of Receiver, Liquidator, Trustee, Deed of Assignment. **6.** A firm keeps five Sales Ledgers. What rulings would be necessary in the Cash Book, Sales Day Books and Returns Book to enable them to have each Ledger separately balanced, and what items would need journalising to enable this to be systematically carried out? **7.** The Reserve Fund of a Limited Company is invested in Consols, the market price of which varies from time to time; how would these fluctuations be dealt with in preparing their B/S.?

## MIDLAND COUNTIES UNION. (*Advanced*, 1910.)

PART I. Prepare Trading, P. & L. A/cs. and B/S. of the Highburn Manufacturing Co., Ltd., from the following T.B. on 30th June, 1909. Nominal Capital 40000 Ordy. Shares of £1 each. Depreciate Machinery & Plant 10%, Fixtures and Fittings 10%. Make up Reserve for Bad Debts to 7½% of the Book Debts. Insurances are paid in advance to the extent of £96. Stock, 30th June, 1909, £6900.

| Dr. Balances— | |
|---|---|
| Calls in arrear | £205 |
| Stock, 1/7/08 | 9537 |
| Purchases | 22448 |
| Returns from Customers | 1174 |
| General Trade Expenses | 1014 |
| Wages | 13632 |
| Salaries | 2042 |
| Travelling Expenses | 758 |
| Advertising | 870 |
| Rents, Rates, Taxes & Insce. | 858 |
| Discounts | 314 |
| Bank Interest & Commission | 114 |
| Bad Debts written off | 249 |
| Premises | 12450 |
| Machinery & Plant | 18750 |

| Dr. Balances continued— | |
|---|---|
| Fixtures & Fittings | £3750 |
| Sundry Debtors | 12160 |
| Interest paid on Debentures | 214 |
| Dividend paid (Aug., 1908) | 1415 |
| Cash in hand | 43 |
| Balance at Bank | 1427 |
| **Cr. Balances—** | |
| 40000 Ordy. Shares, 15/-called | 30000 |
| 100 Debentures, 4½% @ £50 | 5000 |
| Returns to Creditors | 1745 |
| Sales | 46728 |
| Sundry Creditors | 7728 |
| Reserve Fund | 5000 |
| Reserve for Bad Debts, 1/7/08 | 760 |
| Balance of P. & L. A/c. 1/7/08 | 3463 |

Answer.—*Gross* £11582 ; *Net* £2843 ; *Total B/S.* £52414.

PART II. 1. Explain : Agio, Allonge, General Average, York-Antwerp Rules. 2. Why are Foreign B/E. made out in sets ? Are they always made out so ? Write out a Second of Exchange, drawn by Chas. Carr, of London, on Kishen Lall, of Baroda, 60 D/S. for £175, and convert into Rupees at 1/4. 3. Name some preferential debts allowed to be paid before distribution of the estate of a bankrupt. 4. What are Exchequer Bills ? 5. In the case of the death of a Shareholder what would you require before paying any dividends on account of the holding ? 6. Draw up a Return for Income Tax Assessment from your result of Part I., assuming that the assessments in the two previous years were : 1907, £2100 and 1908, £1760 respectively. The following are included in the charges : £35, chief rent in rents, rates, &c. ; gifts to the value of £50 in the general expenses ; and the Assessor will only allow depreciation on the machinery at the rate of 7½% ; Income Tax paid and included with rents, rates, &c., a/c., £88. Show what the assessment will be for 1909.

## MIDLAND COUNTIES UNION. (*Advanced*, 1911.)

PART I. Henry Moore, trading as Moore & Co., decided to convert his business into a private limited company. On the 31st Dec., 1909, his B/S. was as follows :—

| | | | |
|---|---|---|---|
| Bank Overdraft | £427 | 4 | 2 |
| Sundry Creditors | 2475 | 10 | – |
| Parkes (Loan) | 1000 | – | – |
| Capital | 10300 | – | – |

| | | | |
|---|---|---|---|
| Petty cash in hand | £55 | 14 | 8 |
| Sundry Debtors | 4310 | 7 | 6 |
| Premises | 3500 | – | – |
| Machinery & Plant | 856 | 15 | – |
| Fixtures & Fittings | 279 | 17 | – |
| Blackmore Co. Shares, 100 fully paid £10 at par | 1000 | – | – |
| Stock | 4200 | – | – |

Under an agreement dated 31st Dec., 1909, Henry Moore was to be credited with interest at the rate of 5% per ann. on the above capital from that date to the date of Registration. It was also agreed that the Vendor should retain the £1000 Blackmore & Co. Shares, and in addition receive £11000 in fully paid £5 Ordy. Shares when the Company was floated ; the difference £1700 being considered as Goodwill, the latter to be extinguished

at the rate of £250 per ann. The Company which was to take over all other Liabilities and Assets was registered as Moore & Co., Ltd., on the 31st March, 1910, with a capital of £30000, divided into 4000 Ordy. Shares of £5 each, and 2000 5% Pref. Shares of £5 each. In addition to the Vendor's Shares there was an issue of 900 Ordy. and 1000 Pref., and 10s. per share was paid, the amount having been paid to the company's bankers. The transactions were :—

| | | | | | | |
|---|---|---|---|---|---|---|
| Purchases ..... | £5470 | 17 | 4 | Formation Expenses paid | £117 | 10 | – |
| Sales ..... | 11975 | 6 | 8 | Wages & Salaries paid .. | 4065 | 18 | 6 |
| Inward returns ..... | 428 | 5 | 5 | Int. on loan to 30th June paid (less tax 1/- in £) | 19 | – | – |
| Outward returns ..... | 114 | 7 | 9 | General expenses paid .. | 475 | 7 | 7 |
| Discounts alld.customers | 317 | 7 | 4 | Rents, Rates & Taxes paid | 329 | 14 | – |
| Discounts allowed by crs. | 148 | 9 | 7 | Repairs to property paid | 117 | – | – |
| Bad Debts written off | 145 | 14 | 4 | Repairs to Machinery paid | 56 | 11 | 3 |
| Cash paid by customers | 8420 | 17 | 4 | Drew from Bank for Petty Cash ..... | 260 | – | – |
| Cash paid to creditors | 6453 | 11 | 1 | Paid sundry petty cash exs. | 289 | 15 | 1 |
| B/R.recd.from customers | 1420 | – | – | STOCK, 31st Dec., 1910 | 5040 | – | – |
| B/R. paid to Bank and collected ..... | 846 | 10 | – | | | | |
| Bank charges on Bills | 26 | 4 | – | | | | |

Prepare T.B., Trading and P. & L. A/cs. and B/S., making the following adjustments in addition to any previously indicated :—Depreciate Machinery and Fixtures 5% each. Reserve 5% on Book Debts for Bad and Doubtful Debts.

**Answer.**—*Total Trial Balance* £28696 11 2 ; *Gross Profit* £2964 13 2 ; *Net Profit* £604 4 1 ; *Total of B/S.* £17062 11 3.

PART II. **1.** Comment on the Balance Sheet of Blank Cotton Co., Ltd., given below. **2.** Explain Del credere, Cheque Bank, and Documentary Bills. **3.** How does a Statement of Affairs differ from a Balance Sheet ; when is the former generally prepared ? **4.** What is the "Double Account System," and what objections are there to it ? **5.** What do you understand by : Course of Exchange, Arbitration of Exchange, and Hypothecation ? **6.** What are Consols, and how are their values ascertained and controlled ?

**Balance Sheet** of the **Blank Cotton Co., Ltd.**, on 30th June, 1906.

| **Capital & Liabilities.** | | | | **Property & Assets.** | | | |
|---|---|---|---|---|---|---|---|
| To Capital— | | | | By Buildings, Engines, Boilers, Materials, and Utensils £190470 | | | |
| 16000 Shares at £10 | £160000 | – | – | Outlay during half-year ... | 3500 | 193970 | – – |
| Mortgage Debentures | 70000 | – | – | | | | |
| A/cs. owing by Co. ... | 29086 | 18 | 3 | By Stock, Cotton, Yarn and Stores ..... | | 111427 | – – |
| Reserve Fund ..... | 89000 | – | – | By A/cs. owing to Co. | | 48420 | 17 4 |
| Profit & Loss A/c. :— | | | | Cash at Bank ..... | | 5854 | – 11 |
| Balance at 29th Dec., 1905 ...£11085 | | | | | | | |
| *Less* Dividend pd. Jan., 1906 7000 | | | | | | | |
| | 4085 | | | | | | |
| Balance from Revenue A/c. | 7500 | 11585 | – – | | | | |
| | | £359671 | 18 3 | | | £359671 | 18 3 |

## MIDLAND COUNTIES UNION. (*Advanced*, 1912.)

PART I. The Welsh Manufacturing Co., Ltd., closed its books on the 31st Dec., 1911, with the following balances. Prepare T.B., Trading A/c., P. & L. A/c. and B/S. as at 31st Dec., 1911. **Stock,** 31st Dec., 1911 :—Materials £10743 ; Finished Goods £19430 ; Sundries £340. Adjustments : Depreciate Plant & Machy. & Fittings 10% each ; Premises 2%. Insurance paid in advance £93. Keep the Bad Debts Res. at £500. Comment upon the B/S. as to whether you consider the Co. is in a healthy state, and give suggestions regarding the various items of expenditure, &c. Would you recommend a Dividend ; if so, how much ?

| **Dr. Balances—** | |
|---|---|
| Stocks, 1st Jan., 1911 :— | |
| Materials | £6420 |
| Finished Goods | 9400 |
| Sundries | 530 |
| Materials purchased | 38000 |
| Coal & Coke used | 1460 |
| Rent, Rates & Taxes | 987 |
| Sundries purchased (less returns) | 580 |
| Repairs to Machinery | 444 |
| Wages | 15500 |
| Salaries | 3400 |
| Insurance | 335 |
| Fittings & Fixtures | 650 |
| Returns Inwards | 1740 |
| Discount A/c. (Dr. Bal.) | 448 |
| Sundry Debtors | 4300 |

| **Dr. Balances** continued— | |
|---|---|
| Plant & Machinery | £11750 |
| General Expenses | 2007 |
| Premises | 10000 |
| Travelling & Exhibition Exs. | 948 |
| Bad Debts | 542 |
| Bills Receivable | 735 |
| Dividend paid, Jan., 1911 | 1800 |

| **Cr. Balances—** | |
|---|---|
| 60,000 Shs. £1 each, 12/- paid | 36000 |
| Due to Ystwyth Banking Co. | 2478 |
| Sales | 56800 |
| Sundry Creditors | 2870 |
| Bad Debts Reserve | 500 |
| Reserve Fund | 10000 |
| Bills Payable | 940 |
| P. & L. A/c., 31st Dec., 1910 | 2388 |

**Answer.**—*Gross Profit* £15143 ; *Net* £3225 ; *Bal. for Distribution* £3813 ; *Total B/S.* £56101.

PART II. **1.** Explain how you would deal with the following, which may occur at the termination of the financial year :—(*a*) Goods in transit to your firm, carriage forward, prior to, but which would not be received until after the date of the financial year closing ; (*b*) Goods sent away by you on the day prior to the last day of the financial year, and being refused by consignee. **2.** What system would you recommend in dealing with the stocks of an engineering firm, say, so as to prevent stoppages of work through shortages ? **3.** What is Sectional Balancing ? Explain its advantages. **4.** Give the stamp duty necessary for Bills of Exchange, both Inland and Foreign. **5.** What is an Account Current ? Give an example, setting out six items on each side, G. Green being indebted to F. Topper. **6.** Give examples of errors which may occur in the books of account that the T.B. will not reveal.

## MIDLAND COUNTIES UNION. (*Advanced*, 1913.)

PART I. The following particulars were revealed by abstracts taken from the books of the Central Manufacturing Co., Ltd., on 31st Dec., 1912. The Share Capital consisted of £18,000, being 10/- paid on each of 24,000 Ordy. Shares, and 12,000 6% Preference Shares of £1 per share. Prepare a T.B., Trading and P

& L. A/cs., and B/S. as at 31st Dec., 1912. Adjustments :— Depreciate Machy., with the exception of Additions 10% ; Fittings and Furniture 10% ; Create a Res. for Bad and Doubtful Debts on Book Debts of 5% ; £97 of the Rates & Taxes have been paid in advance. The Balances on 1st Jan., 1912, were :—

| | | | | | | |
|---|---|---|---|---|---|---|
| Capital | £18000 | – | – | Paid by Debtors | £42423 | 9 – |
| Cash at Bank | 3148 | 10 | 9 | Additions to Machy. & plant, paid | 754 | – – |
| Cash in hand, for Petty Expenses | 23 | 17 | 4 | Travelling Exs. & Commission, paid | 1723 | 14 – |
| Machinery & Plant | 2488 | – | – | Repairs | 326 | 10 |
| Fittings & Furniture | 580 | – | – | Rents, Rates, Taxes & Insurance | 954 | 18 – |
| Bills Receivable | 1729 | 10 | 9 | Wages | 18472 | 10 – |
| Mortgage | 3000 | – | – | Salaries | 5355 | – – |
| Property | 18500 | – | – | General Trade Expenses | 1223 | – – |
| Reserve Fund | 7000 | – | – | Int. on Mortgage pd. to date | 113 | – – |
| Sundry Debtors | 2750 | 17 | – | Bad Debts written off | 95 | 19 – |
| Sundry Creditors | 1458 | 18 | 4 | Bank Charges | 113 | 7 – |
| Bills Payable | 875 | 17 | 6 | Drawn from Bank for Petty Cash Expenses | 345 | – – |
| Stock, 1st Jan., 1912 | 3614 | – | – | Dividend paid 31st January, 1912 | 904 | – – |
| Balance of P. & L. A/c. | 2500 | – | – | Petty Cash Expenses actually paid | 337 | 15 – |
| Purchases during year | 17420 | 9 | – | Discounts allowed | 874 | 5 – |
| Sales during year | 48007 | 15 | – | Discounts received | 705 | 8 – |
| Outward Returns | 327 | 8 | – | **Stock**, 31st Dec., 1912 | 5122 | – – |
| Inward Returns | 577 | 16 | – | | | |
| B/R.recd.fromCustomers | 2740 | 17 | – | | | |
| B/P. given to creditors | 2408 | 14 | – | | | |
| B/R. collected by Bank | 2970 | 15 | – | | | |
| B/P. paid by Bank | 1770 | – | – | | | |
| Paid to Creditors | 13065 | 10 | – | | | |

**Answer.**—*Total T.B.* £83427 9 10 ; *Gross Profit* £13372 8 – ; *Net Profit* £2548 5 8 ; *Total of B/S.* £36031 4 6.

PART II. **1.** Assuming you were required to make out a return for Income Tax from the result of Part I., state what items would be disallowed, assuming that in the A/cs. £47 had been paid under Sch. A, and £170 under Sch. D. ; and that Donations to the amount of £25 had been included in the General Expenses. **2.** Explain how you would deal with goods sent on Consignment, and on the Hire Purchase System. **3.** Explain the difference between a Company Limited by Shares, and an Unlimited Company. What advantages, if any, are there in the case of both ? **4.** What is the difference between Prime Cost and Cost of Production ? Illustrate your answer by a few figures. **5.** What steps are necessary before a private firm can become incorporated as a Limited Company ? **6.** What is the difference between a Statement of Affairs and Deficiency A/c. ? Give a sample of the latter, in brief.

## MIDLAND COUNTIES UNION. (*Advanced*, 1915.)

PART I. The Khaki Cloth Manufacturing Co., Ltd., has a Nominal Cap. of £30000, divided into 20000 Ordinary Shares of £1 each, and 10000 6% Pref. Shares of £1 each. Below is set out the T.B. for the year ended 31 Dec., 1914. Prepare Trading A/c., P. & L. A/c., and B/S., after making the necessary adjustments. The various divisions of the final a/cs. are to show : (*a*) Gross Profit ; (*b*) Profit on trading ; (*c*) Net profit. **The adjustments are :—(*a*) Wages owing, £61 ; (*b*) Rates and**

**Insurance prepaid, £38; (c) Reserve 2½% of the Book Debts for Bad Debts; (d) Depreciate—Plant and Machinery at 7½% per ann.—on additions for six months only; Leasehold Property at 2½%; Freehold Property at 1%. The Stocks on hand, in addition to yarn, are:—(a) Piece goods, £4896; (b) Work in progress, £1926; (c) Wool, Mungo, &c., £824; (d) Packing Cases £25; (e) Mill Furnishings, £271 1s. 6d.; (f) Coal, £12 12s. 11d. The Preliminary Expenses are being written off in three equal annual instalments, the first at the end of 1913.**

| **Dr. Balances—** | | | |
|---|---|---|---|
| Freehold Property .... | £5000 | – | – |
| Leasehold Property, Ground Rent £50 p.a. | 7000 | – | – |
| Stock of Piece Goods, 1/1/14 ..... | 5239 | 10 | 4 |
| Work in Progress, 1/1/14 | 1769 | 2 | 2 |
| Stock of Wool, Mungo, &c., 1/1/14 ..... | 769 | 4 | 3 |
| Manufacturing Wages | 4271 | 18 | 3 |
| Purchases of Wool, Mungo, &c..... | 7470 | 17 | 6 |
| Rates, Taxes, Gas, Water and Insurance ..... | 627 | 7 | 3 |
| Carriage on Sales..... | 177 | 19 | 8 |
| Outwork ..... | 991 | 9 | 5 |
| 14 Shares of £10 each in Box & Cox, Ltd., at cost | 140 | – | – |
| Ground Rent ..... | 50 | – | – |
| Preference Dividend .. | 150 | – | – |
| Yarn used in manufacture | 2004 | 18 | 2 |
| Yarn in stock, 31 Dec., 1914..... | 764 | – | – |
| Returns Inwards ..... | 126 | 1 | 6 |
| Sundry Debtors ..... | 2683 | 7 | 5 |
| Plant and Machinery .. | 5197 | 9 | – |
| Additions to Plant and Machinery ..... | 55 | – | – |
| Discount on Sales .... | 471 | 6 | 3 |
| Mill Furnishings ..... | 526 | 15 | 3 |

| **Dr. Balances continued—** | | | |
|---|---|---|---|
| Warehouse and Office Salaries ..... | £275 | 4 | – |
| Motive Power, Coal, Oil | 660 | – | – |
| Interest on Loan .... | 40 | – | – |
| Bad Debts written off | 40 | – | – |
| Purchases of Packing Cases, includg. stock of cases on 1 Jan., 1914 | 225 | – | – |
| Travelling & Incidental Expenses ..... | 240 | – | – |
| Preliminary Expenses | 500 | – | – |
| Goodwil ..... | 1500 | – | – |
| **Cr. Balances—** | | | |
| Rents received from Leasehold Property | 326 | 17 | 4 |
| Sales ..... | 20681 | 12 | 6 |
| Wool and Mungo returned to Creditors | 134 | 17 | 9 |
| Discount on Purchases | 423 | 7 | 10 |
| Sundry Creditors .... | 4303 | 8 | 10 |
| Ord. Share Cap. 1500 0 Shs. | 15000 | – | – |
| Pref. Share Cap. 5000 6% Shares ..... | 5000 | – | – |
| Loan from John Greenwood at 4%, obtained 1 July, 1914 ..... | 2000 | – | – |
| Dividends on Invests. | 16 | 2 | – |
| Bank ..... | 80 | 4 | 2 |
| P. & L. A/c., 1 Jan., 1914 | 1000 | – | – |

PART II. **1.** Robert Robins and Dick Turpin are in partnership as Wool Merchants, their respective capitals on 1 Jan., 1915, being £4780 and £3610. It is arranged that Robins is to introduce his son-in-law, William Booth (who is also in business as a Wool Merchant on his own account) as a partner, and that the three partners shall all be placed on an equal footing in the new partnership by the following arrangement:—(*a*) The business of Booth is to be taken over by the new firm at a valuation, which comes out as follows:—Stock, £1200; Office Furniture, £40; Freehold premises, £1410; (*b*) Robins is to transfer to his son-in-law a sufficient amount from his Capital A/c. to make the son-in-law's Cap. equal to that of Turpin; (*c*) Turpin and Booth are to give to Robins cheques on their private a/cs. to make all the Capitals equal. Prepare the Capital A/cs. of the three partners showing the entries therein necessary to carry this out.

**2.** The Balance Sheet of John Ffrench on 31st March, 1915, stands as follows:—Sundry Creditors, £4690; Capital A/c., £5550; Cash, £124; Bank, £869; Sundry Debtors, £7247; Plant and Machinery, £2000. A limited company is formed to

take over the business in its entirety, including the Cash and Bank balances. The amount to be paid to Ffrench is agreed at £6000, to be discharged :—(*a*) As to £1000 by the issue of Debentures ; (*b*) As to £2 in cash ; and (*c*) As to the balance by the issue of 476 fully paid Ord. Shares of £10 each at a premium of 10/- per share. The Nominal Cap. of the Co. is £25000 divided into 2500 Ord. Shares of £10 each, and of these 1000 are offered to the public for subscription on the terms that 30/- per Share is payable on application, which is to include a premium of 10/- per Share, and £1 per share is payable on allotment. The Balance is callable at any time at the discretion of the Directors. The whole of the Shares offered are applied for on April 20th, and allotted on May 10th, and the sale by Ffrench is carried out on May 1st. Give the Journal and Cash Book entries to carry through the transactions up to allotment.

PART III. **1.** How would you deal with the following in the financial books of a firm :—(*a*) Cost of Issue of Debentures, which have been issued at a premium ; (*b*) The loss sustained by issuing Debentures at a discount ; (*c*) The dividend on 6% Cumulative Pref. Shares where there is a debit balance on the P. & L. A/c. **2.** Give an example, containing five entries, of a Customer's A/c. in the ledger of a Banker, showing the usual columns including one for daily balances.

**3.** What is meant by (*a*) A quorum ; (*b*) Gilt Edged Securities ; (*c*) Circular Notes ? **4.** Dividends are usually paid to Shareholders less tax. State how you would organise the preparation of the Dividend Warrants, what books you would use, and illustrate how you would pass the payment of the Dividend through the books, and what you would do in regard to the tax deducted. Journal entries will be sufficient for the illustrations.

## INSTITUTE of BANKERS. (*Preliminary*, 1903.)

**1.** What books are off-shoots of the Journal ? Give a list thereof. **2.** Journalise the following opening Journal entries of the firm of Bell, Danvers & Co. :—Land & Buildings, £5000 ; Machinery and Plant, £8800 ; Patterns, £3300 ; Stock-in-Trade, £9000 ; Office Furniture and Fittings, £400 ; Loose Tools, £2500 ; Patents, £1000 ; Sundry Drs. £10500 ; Cash in hand £100 ; Investments, £2300 ; Sundry Crs., £7000 ; London & Northern Bank (Overdraft) £900. Capital :—Andrew Bell, £20000 ; Charles Danvers, £15000. **3.** Give a form of "Bills Payable Book," and also of "Bills Receivable Book," entering into each full particulars of two bills. **4.** Are B/R. discounted and not yet matured contingent liabilities ? If so, how should they be shown on the B/S. **5.** Explain the use and working of the Investment Ledger, giving a form of the same. **6.** Sketch out a form of Petty Cash Book, kept on the imprest system, and explain what you mean by the "Imprest System." **7.** At the close of their financial year, Messrs. Bell, Danvers & Co., find they have to make the following provisions, for which make the necessary

Journal entries :—(*a*) Write off £440 for depreciation on machinery and plant. (*b*) Reserve £250 against bad and doubtful debts. (*c*) Reserve £150 for sundry amounts owing, the accounts of which have not been received. (*d*) For one year's interest at the rate of 5% per ann. on Partner's Capital, which stands in the books as follows :—Bell, £20000 ; Danvers, £15000. **8.** Give a form of a Merchant's Account Sales of 100 packages of Tea, ex. s.s. "Foochow," from Shanghai to London, showing the gross figures realised, and deducting therefrom in detail the various charges, bringing down the net proceeds as the final result. **9.** How should Reserves for Doubtful Debts be shown in the B/S. ? **10.** Do you consider it advisable that the Cashier and the Book-keeper shall be one and the same person, or should they in your opinion be two distinct individuals ? Give your reasons for whatever decision you arrive at herein.

## INSTITUTE of BANKERS. (*Preliminary*, 1907.)

**1.** Give the rulings of a Cash Book where all the moneys received are banked and all the payments made are by cheque. In the ruling, set out "Discounts and Allowances Columns," "debit" and "credit" and show on the double entry system how these are dealt with. Make three entries on each side, elucidating the foregoing

**2.** Post the following entries into the Ledger, creating Ledger A/cs. "Dr. and Cr." for each entry and prepare a Trial Balance.

| | | |
|---|---|---|
| Goods Bought. | 1 | From John Jones, Steel Rails, £1000. |
| | 2. | From William Smith, Bolts and Nuts, £1500. |
| | 3. | From John Richardson, Steel Rails, £1400. |
| Goods Sold. | 4. | To Great Northern Railway, Steel Rails, £2000. |
| | 5. | Ditto. Bolts and Nuts, £500. |
| | 6. | To Midland Railway, Bolts and Nuts, £600. |

**3.** Explain the difference between a "Trial Ledger Balance," and a "Balance Sheet," and state on which side the "debit" and "credit" a/cs. as taken from the Ledger are respectively shown in each of the above. **4.** Give four detailed *Journal Entries* explaining the fundamental axiom in Book-keeping that "Every debit requires a credit" and vice versa. **5.** Give, in a short sentence of, say, eighty words or so, your definition of "Capital" as more particularly applying to an Individual or a Private Firm, rather than to a Joint Stock Company. **6.** Name the three principal Books of A/c. into two of which Books initial entries are made and thence posted into the third Book, giving the names of the first two Books and the third Book respectively.

**7.** State into which of the following Books of A/cs. : Cash Book, Petty Cash Book, Journal, Sales Day Book, Bought Day Book, Returns Book Inwards, Returns Book Outwards, entries (*a*) to (*k*) (as under) are to be made, preparatory to being posted into the Ledger (*a*) Purchased of John Smith goods value £1000. (*b*) Sold to Arthur Brown goods value £75. (*c*) Returned to John Smith goods not up to sample, value £200. (*d*) Arthur Brown returns goods not up to sample, value £25. (*e*) Pay John

Smith, cheque in settlement of a/c., £780, he allowing £20 for 2½% Discount. (*f*) Received in settlement of a/c., from Arthur Brown, £48 15s., he deducting £1 5s., for 2½% Discount. (*g*) Adjust a complicated a/c., with Adam Bode by various cross entries. (*h*) Purchase at the stores various office requirements, value 19s. 5d. (*j*) Receive Dividend on Bank Stock for £67 10s. 9d. (*k*) Enter Banker's charge for New Cheque Book, 16s. 8d.

**8.** Messrs. L. S. D., Bankers, head their Pass Book, "Arthur Brown, Esq., in a/c. with L. S. D." while Messrs. Bullion & Co., Bankers, head theirs, "Bullion & Co., in a/c. with Arthur Brown, Esq." Draw up two Bank Pass Books making the following Cash Entries in each of these respective Bank Pass Books :—1907 :

| | | | | |
|---|---|---|---|---|
| Jan. 1. | Cash Balance in favour of Arthur Brown .. | £217 | 10 | 6 |
| „ 4. | Paid Arthur Brown's Cheque No. 175 ..... | 52 | 10 | – |
| | Paid his Subscription to the Omnium Club . | 10 | 10 | – |
| „ 5. | Received his Dividend on Consols ..... | 95 | – | – |

**9.** Explain the difference between *Single Entry* and *Double Entry* and the advantages of the latter over the former system of Book-keeping. **10.** Define the terms "Depreciation" and "Reserve," and state how they would respectively be shown on the B/S.

## INSTITUTE of BANKERS. (*Final*, 1903.)

**1.** Explain the advantage of balancing each ledger separately, and in this connection give an illustration of the "Total Account Sales Ledger." **2.** Journalise the following closing entries :—(*a*) Write off for depreciation from—Land and Buildings 3% on £5000 ; Machinery & Plant 5% on £8800 ; Patterns 10% on £3300 ; Patents 10% on £1000 ; Office Furniture 5% on £400. (*b*) Make a provision of 3% for Discounts and of 5% for Bad Debts on Sundry Drs., £10500. (*c*) Give the respective partners one year's int. at 5% on their respective Capitals, say—Andrew Bell, £20000 ; C. Danvers, £15000. **3.** Give some general rules as to the amount of Depreciation to be written off Leasehold Buildings, Plant & Machinery, Boilers, Loose Tools, Furniture, also Freehold Land and Buildings thereon. **4.** Give a form of certificate that Branch Bank Managers should issue certifying the correctness of the Branch Returns. **5.** Give the Form of B/S. prescribed by the Companies' Act, 1862, to be used by such companies as Table A applies.

**7.** On 1st January, 1902, Andrew Smith takes a long lease of some business premises, upon which he lays out £4275 in putting up new Plant and Machinery. He purchases stock to the extent of £3515, and opens a Banking A/c. with Bullion & Co. by paying in £2210, the foregoing three outlays constituting his capital in the business. He then admits Benjamin Brown into partnership, and the latter brings in £5000 cash as his capital, the firm being Smith, Brown & Co. The partners at the end of the year

are to be credited with 5% int. on their cap., but are not to be charged with int. on their drawings. Brown is to have a manager's salary of £400 a year and to take one-third of the net profits, while Smith, who draws no salary, takes the remaining two-thirds of the net profits. At 31st December, 1902, the gross profits amount to £5692 17s. 3d., subject to the following closing entries for the year :—(*a*) Int. on Partners' Cap. (*b*) Brown's Salary as Manager. (*c*) 5% Depreciation off Plant and Machinery. (*d*) Provision for Bad and Doubtful Debts, £320 16s. 2d. (*e*) Reserve for the last Quarter's Rent and other charges unpaid at 31st Dec., 1902, £375 9s. 6d., while on the other hand there must be taken into account the following item, viz. :—(*f*) The proportion of certain fixed charges paid in advance, amounting to £242 10s. 6d., and belonging to 1903. Smith has drawn out during the year, on account of profits, the sum of £600, while Brown has drawn out during the same period on a/c. of profits, and his salary as Manager, the sum of £700. Give effect to the above closing and transfer entries, and then show the following final results :—(*a*) Net profit and how divisible. (*b*) Financial position of Smith and Brown respectively. **Answer.**—*Net Profit* £3875 7s. 1d. ; *Cap. A.S.* £12483 11s. 4d. ; *B.B.* £6241 15s. 9d.

**6.** Criticise the items in the following B/S. of Simple Simon & Co.

Dr. BALANCE SHEET, 31st December, 1903. Contra. Cr.

| | | | |
|---|---|---|---|
| To Bullion & Co., Loan A/c. | £1000 | By Cash—At Bankers— | |
| ,, Creditors— | | Bullion & Co. ..... £450 | |
| On Bills Payable . £6690 | | Office Cash ..... 2690 | |
| On Open A/c. ... .. 6990 | | | £3140 |
| On Loans A/c. ... 7097 | | ,, Drawing Account ..... | 1676 |
| | 20777 | ,, Goodwill ..... | 1500 |
| ,, Reserve A/c.— | | ,, Stock— | |
| Balance as per Books ... | 269 | Estimated at say ..... | 2000 |
| ,, Capital A/c. ..... | 2000 | ,, Debtors— | |
| | | On Bills Receivable ... 3670 | |
| | | On Open A/c. ..... 4720 | |
| | | | 8390 |
| | | About £6000 of the above are considered to be good. | |
| | | ,, Investments..... | 5690 |
| | | Subject to realization, the bulk of these are not quoted on the Stock Ex. | |
| | | ,, P. & L. A/c. ..... | |
| | | Net Bal. at date..... | 1650 |
| | £24046 | | £24046 |

**9.** In the Trial Balance at 31st Dec., 1902, the following a/cs. appear :—(*a*) Discounts allowed. (*b*) Unexpired proportion of Fire Premiums. (*c*) Transfer Fees. (*d*) Freight paid on Cargoes still unsold. (*e*) Renewals and Repairs. (*f*) Stock at end of financial year. State which of the above are P/L. items, and which of them are B/S. items, explaining your reasons for the same.

**9.** Draw up an a/c. current composed of three Cash Entries on each side, with Debit and Credit Interest Columns, that Brown, Jones & Co., of London, would render on 31st December, 1902, to their correspondents, Bomanjee, Wadia & Co., of Bombay, in respect of consignments of cotton shipped from abroad and sold on this side, as also of goods sent out from here. **10.** Name the two categories of Ledger A/cs., giving at the same time the sub-division of the second category, thus :—(1) Number one category. (2) Number two category, sub-divided into (*a*) " " and (*b*) " ," and explain the meaning of both categories as also of the sub-division of the second one.

## INSTITUTE of BANKERS. (*Final*, 1904.)

**1.** Sketch the ruling of a Journal, and make the following typical closing entries at 31st Dec., 1903, taking care in each case to specify the respective Ledger A/cs. (both debit and credit) to which all these entries are posted. (*a*) Charge the following customers with postages in their current A/cs. :—Edwd. Brown £3 2 9. Thos. Smith £4 1 6. (*b*) Write off the following balances as irrecoverable :—Richd. Jones, £0 4 9, Wm. Thompson, £1 0 6, Abel Strong, £50 11 6. (*c*) Credit Partner's drawing a/cs. for int. on their respective cap. for one year at the rate of 5%. Robt. Everard, £10000, Wm. Ellis, £5000. (*d*) Transfer the following items of expenditure for the year :—Salaries £2055 2 6, Rent and Rates £360 2 6, Postage and Petties, £59 7 9, Telephone, £17 5 –. Subscriptions to Lloyds, the Baltic and other Exchanges, £78 15 –, Travelling £28 14 1, Stationery and Printing, £35 9 4, Housekeeper, £62 12 6. (*e*) Depreciation on Plant and Machinery, £306 5 9, Goodwill, £500, Patents, £1000. (*f*) Renewals & Repairs, £202 8 6.

**2.** In a list of Trial Ledger Balances, the debits (assets) are entered in the left-hand column, while the credits (liabilities) appear in the right-hand column, the same order as they do in the ledgers. Some B/S., however (not all), reverse this order, placing the credits (liabilities) on the left-hand side, and the debits (assets) on the right-hand side. When this course is pursued, explain the reason (in your opinion) for the figures being thus transposed. **3.** Allocate the following ledger a/cs. to "Trading A/c." "P. & L. A/c." and "B/S." respectively, showing on which side of the various a/cs. they each appear. (*a*) Stock at the commencement of the financial year. (*b*) Stock at the close of the financial year. (*c*) Debtors. (*d*) Creditors. (*e*) Wages. (*f*) Salaries. (*g*) Investments. (*h*) Rent and Rates. (*i*) Purchases. (*j*) Sales. (*k*) Partners' Current Balances. (*l*) Partners' Cap. A/cs. (*m*) Cash at Bankers. (*n*) Loan from Bankers. (*o*) Goodwill. (*p*) Postages and Petties. (*q*) Petty Cash in hand. (*r*) Renewals and Repairs. (*s*) Reserve A/c. (*t*) Dividends Outstanding. **4.** If on taking out

a Trial Balance from books kept by double entry, the total debits and credits do not agree, state some of the means you would adopt to discover the discrepancy or discrepancies which might arise either from errors of commission or of omission in the books of the firm. 5. Give the heads under which you would classify in a balance sheet (distributed among the customers) the assets and liabilities of a private bank.

6. Brown, Jones and Robinson operate in a tripartite account in pig-iron, and purchase 10000 tons at 48s. per ton, say, £24000, and for which they contribute as follows :—

| | |
|---|---|
| Brown finds cash for ..... | £7450 |
| Jones gives his acceptance at 3 mos. for .. | £8000 |
| The discount on which is ..... | 100 7900 |
| And Robinson the balance in cash ..... | 8650 |

Interest is credited to each adventurer at the rate of 5% per annum from date the money is found until final settlement, the Net Profit or Loss (after payment of the above int.) being allocated among them *pro rata*, to the amount of cap. each of them originally brings in. The pig-iron is held for six months, and then only realises £21500, the venture resulting in a loss of £2500. Divide up this loss among the three, first crediting each adventurer with the int. due to him under the above arrangement, and carry out the above conditions. (*Total loss* £3100.)

7. Name the books in which you would record the receipt by a bank of securities lodged with it, by its customers for safe custody on their behalf, showing *inter alia*, the registration of such securities while in the bank's custody and the withdrawal of the same from time to time, by the customers. State the purpose of each book, and give the ruling, also the general nature of the entries.

8. A, B and C dissolve partnership, and after realising their assets, they find that they have £24000 to deal with, the only liabilities they have are £11000 to trade creditors and £1000 advanced by A over and above his capital. The cap. of the firm is in credit, thus A £8000 ; B £6000 ; C £4000 ; and is subject to 5% int. for the year completed before any division, either of profit or of loss, which under their articles of partnership they share equally between them. Show on the basis how the £24000 of assets are allocated in the following order :—(*a*) to satisfy the trade creditors ; (*b*) to repay A his advance of £1000 ; (*c*) to pay the partner's one year's int. on their capital ; (*d*) to apportion the bal. over among the respective partners.

9. The Gleebe Knoll Furnishing Co., Ltd., is floated with a Share Capital of £200,000 in shares of £1 each. The vendors are to be paid £66000 in fully paid shares. The balance of the shares is offered to the public, of which 109000 are subscribed for, upon which the Directors proceed to allotment. By the terms of the prospectus they took power to do this, provided

the application by the general public amounted to a minimum of 100000 shares. The following are the terms upon which the shares are paid for :—

Payable on application, per share .....2/-
Payable upon allotment, per share.....6/-
1st Call payable 3 months after allotment, per share .....4/-
2nd Call payable 6 months after allotment, per share .....4/-

leaving a balance of 4/- per share still uncalled; meanwhile £10000 has been borrowed upon 5% Terminable Debentures. Make the necessary opening Journal entries, and set them out in the first B/S. issued by the Company.

**10.** The Universal Trading Bank, Ltd., has its head office in London, with branches in Glasgow, Edinburgh, Dublin, Liverpool, and Manchester. How should it keep its accounts so as to be able to make up an annual B/S. of its head office, and of each of its branches, as also a general B/S., incorporating therein the whole of the assets and the liabilities, together with a general P. & L. A/c. ? In this connection state how you would deal with the original net profits or losses of the head office and of the respective branches, also of the balances outstanding between various branches with the head office, as well as between themselves.

## INSTITUTE of BANKERS. (*Final*, 1905.)

**1.** Should the mere fact of a Firm balancing their Books satisfy them that each Balance is correct as it stands, without the need of adjustment ? For instance, Messrs. Blank & Co.'s T.B. at 31st December, 1904, shows (among others) the four Ledger A/cs. given below. State which (if any) of the balances are correct, as they stand, and which (if any) require adjusting—in the latter contingency make the necessary adjusting Journal Entry or Entries.

(*a*) **Dr.** ROBERT SMITH (in Liquidation). Contra. **Cr.**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Jan. 1. | To Balance b/d. | £62 | 10 | – | Nov. 1. | By Cash : final Dividend..... | 51 | 10 6 |
| | Balance | £10 | 19 | 6 | | | £51 | 10 6 |
| | | £62 | 10 | – | | | | |

(*b*) **Dr.** THOMAS BROWN. Contra. **Cr.**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Dec. 15. | To Cash on A/c. | 50 | – | – | Nov. 30. | By Goods..... | 72 | 10 – |
| | | £50 | – | – | | Balance | £22 | 10 0 £72 10 – |

(*c*) **Dr.** EDWARD BINNS. Contra. **Cr.**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Dec. 4. | To Goods, Cash in one month net .. | 45 | 10 | 6 | Dec. 29. | By Returns : Weights not up to samples ..... | 32 | 4 6 |
| | Balance | £13 | 6 | 0 | | | £32 | 4 6 |
| | | £45 | 10 | 6 | | | | |

(*d*) **Dr.** THE SHORE TO SHORE RAILWAY. Contra. **Cr.**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Dec. 31. | To Cash in Discharge ..... | 55 | 17 | 6 | Nov. 30. | By Freight Charges | 63 | 7 6 |
| | „ Bal. overcharge | 7 | 10 | – | | | | |
| | | £63 | 7 | 6 | | | £63 | 7 6 |
| | | | | | Dec. 31. | By Bal. overcharge | 7 | 10 – |

2. John Black and Edward Thompson agree to import Swedish timber into this country. On 1st May, 1904, they open a Banking A/c. under the style of "Black & Thompson," for £2400, towards which Black contributes £1400 and Thompson £1000, they dividing Profits or Losses *pro rata* to their cash contributions (say 7-12ths and 5-12ths respectively). They remit to their agent in Sweden £1800 to pay for the timber purchased out there, and, later on, a further £100 in settlement of his A/c. The Freight, Insurance, and Dock Charges are all paid on this side, and, together amount to £400. On 31st December, 1904, the various sales have realised £2400 net, which enables them to repay themselves (taking no account of Interest) the cash respectively advanced by them on 1st May, 1904. The venture is then closed by Black taking over the balance of timber unsold for £380, and for which he pays a cheque into the Banking A/c. How much Cash Balance does this leave for final division by way of Profit, and how is the same apportioned between Black & Thompson as their respective share of Profit thus realised on the venture? (*Cash Bal.* £480.)

3. There are two systems of Book-keeping; name them both, and state which you prefer, giving reason for such preference.

4. Edward Brown's books at 31st December, 1904, show the following from which prepare B/S., marshalling the assets and liabilities in their recognised order:—(1) Sundry Debtors £6000; (2) Cash at Bank on Current A/c. £1000; (3) Petty Cash £50; (4) Overdraft with the Bank; Investments (see item No. 11) lodged with blank transfers as security £3500; (5) B/P. £5500; (6) B/R. £4500; (7) Freehold Land and Buildings mortgaged (see item No. 10) £7500; (8) Stock £9000; (9) Creditors on Open A/cs. £7700; (10) Creditors on Mortgage (see item No. 7) £5000; (11) Investments, hypothecated (see item No. 4) £8000; (12) Reserve Fund £250; (13) Office Furniture £400; (14) Plant and Machy. £5500.

5. Do you consider B/R., which a firm has discounted with its Bankers (and which are not yet matured), to be a Contingent Liability, and, if so, show how you would state the same upon the B/S. 6. Explain what you understand by a "Personal" Ledger A/c. and by an "Impersonal" Ledger A/c., and state which of them is divided into two categories, naming these categories.

7. Sketch the ruling of a Cash Book as used by Messrs. Blank & Co. (who bank everything with Messrs. Bullion & Co.), and enter therein three distinct Cash Entries on the debit side, and three on the credit side, showing at least two "Discount" and "Allowances" Entries (either both on one side, or one on each side, at your option) and in the posting columns give the initials of the respective Ledgers to which these entries are severally carried, thus:—"P/L." for "Private Ledger," "G/L." for "General Ledger," "B/L." for "Bought Ledger,"

"S/L." for "Sales Ledger," as the case may be, together with the Ledger folio in each instance. **8.** Give the principal heads of a Trading A/c., and also of a P. & L. A/c. (without figures), of a manufacturer's business, showing what usually appears on each side.

## INSTITUTE of BANKERS. (*Final*, 1907.)

**1.** Prepare Trading, P. & L. A/cs. and B/S. of John Brown, on 31st Dec., 1906. **Stock,** £3300. Reserve for Bad and Doubtful Debts £375, and Depreciate Plant and Machinery £500 and Goodwill £500. Transfer Net Profit to Drawing A/c.

| **Dr. Balances—** | |
|---|---|
| Stock, 1st Jan., 1906 ..... | £3200 |
| Salaries ..... | 500 |
| Cash at Bank and in hand .. | 2775 |
| Debtors on Bills receivable .. | 8550 |
| Purchases during the year .. | 35070 |
| Rents & Rates ..... | 201 |
| Miscellaneous Office Disbursements ..... | 257 |
| Debtors on Open A/cs. ..... | 7600 |
| Wages ..... | 1630 |
| Discounts & Allowances, Balance to the debit ..... | 110 |
| Plant & Machinery ..... | 5000 |
| **Dr. Balances** continued— | |
| Goodwill of Business ..... | £2000 |
| Repairs & Alterations ..... | 157 |
| Freehold Premises subject to Mortgage, £4000 ..... | 6000 |
| John Brown, Drawing A/c. | 4600 |
| Interest ..... | 200 |
| **Cr. Balances—** | |
| Creditors on Bills Payable .. | 6097 |
| Creditors on Open A/cs. .... | 6053 |
| Creditors on Mortgage A/c. Freehold Premises..... | 4000 |
| Sales during the year ..... | 46700 |
| John Brown, Capital A/c. ... | 15000 |

**2.** Explain the meaning of the term "Marshalling the Assets and Liabilities" in a B/S. and explain the advantage of the same.

**3.** Ledger A/cs. consist of two categories—(*1*) Personal A/cs. (*2*) Impersonal A/cs. (sub-divided into) (*a*) Real A/cs. (*b*) Nominal A/cs. Allocate to the above the following twelve Ledger A/cs. :—(*1*) Creditors and Debtors on open A/cs. (*2*) Cash at Bank and in hand. (*3*) Stock. (*4*) Investments. (*5*) Wages. (*6*) Salaries. (*7*) Purchases and Sales. (*8*) Plant and Machinery. (*9*) Rent and Rates. (*10*) Dividends on Investments. (*11*) Freehold Premises. (*12*) Discounts and Allowances.

**4.** The following are Arthur Brown's closing Ledger Balances (Liabilities and Assets) at 31st Dec., 1906, when he transfers the same to his son, William Brown. Make the Journal entries (not Sundries Dr. to Sundries) that William Brown requires to make at 1st Jan., 1907, to open his Books of A/c. and at the same time draw up a B/S., duly marshalling the Liabilities and Assets in proper order, and showing what his Capital is at that date :—Cash at Bankers, £235, Loan from Bankers £1000, Cash in hand (Petty Cash) £15, Creditors on Open A/cs. £500, Debtors on Open A/cs. £1000, Bills Receivable £750, Stock of Goods in hand £1000, Patents £500, Bills Payable £250, Implements and Plant £1000, Reserve for Bad and Doubtful Debts and any other Contingency £250, Furniture and Fittings £500.

**5.** Show on which side of the A/c. the following items appear in a "Trading A/c.," a "Profit & Loss A/c." and a "Balance Sheet," remembering that certain of these items appear as a

"Debit" in one a/c. and a "Credit" in the other. The business is assumed to be a solvent, profitable one. (*a*) Stock at the commencement of the year. (*b*) Stock at the end of the year. (*c*) Salaries. (*d*) John Brown Drawing A/c. (after crediting him with net profit in excess of the Drawing). (*e*) John Brown Capital A/c. (*f*) Cash at Bank. (*g*) Creditors. (*h*) Debtors. (*i*) Sales. (*j*) Purchases. (*k*) Gross Profits (Balance of Trading A/c.). (*l*) Net Profits (Balance of Profit and Loss A/c.). (*m*) Rent and Rates. (*n*) Reserve for "Depreciation" and "Doubtful Debts." (*o*) Investments. (*p*) Interest on Investments. (*q*) Dis. and allowances (Bal. against Brown).

**6.** Explain the difference between :—(*a*) Open Letter of Credit. (*b*) Documentary Letter of Credit. **7.** As a rule, in order to arrive at a T.B. the balances of the respective a/cs. open at the time have to be extracted from two Books of A/cs., but, by a certain System, all such balances can be posted to one book, and extracted from that one book. Explain the system and give the names of the two books in the first instance, and then of the other book.

**8.** The B/S. hereunder is improperly drawn up, and in some cases items are shown on the wrong side (Liabilities requiring to be set out on the Debit side, and Assets on the Credit side). Set out this B/S., properly marshalling the A/cs., but not altering the individual figures except in the case of the Capital A/c., to which give the correct figures, adjusting the final totals.

Dr. BALANCE SHEET, 31st December, 1906. Cr.

| | | | |
|---|---|---|---|
| To Cash at Bankers | £182 | By Reserve | £137 |
| ,, Investments | 1682 | ,, Creditors | 4297 |
| ,, Capital A/c. (subject to adjustment as above) | 8000 | ,, Cash in hand | 2 |
| ,, Debtors | 2246 | ,, Stock | 2540 |
| ,, Loan from Bankers | 1500 | ,, Freeholds | 5033 |
| ,, Bills Receivable | 330 | ,, Bills Payable | 397 |
| ,, Goodwill | 600 | ,, Plant & Machinery | 2134 |

**9.** Supposing a set of Books, kept by single entry only, were placed in your hands for the purpose of preparing a B/S. and a P. & L. A/c., what further Ledger A/cs. would have to be set up to arrive at the double entry system required, and how would you proceed to complete this work required to be done ?

**10.** Adam Brown and Joseph Smith are in partnership. Adam Brown on 1st Jan., 1906, had Capital amounting to £15000 in the business, and on 1st June, 1906, put into the business a further £5000. On 1st Jan., 1906, Joseph Smith had Capital amounting to £10000. The profits at 31st Dec., 1906, amount to £7000, and are dealt with as follows :—(*1*) Reserve for Bad and Doubtful Debts, £300 (*2*) Depreciation on Plant and Machinery, £500 (*3*) Interest at 5% on Partners' Capital from the dates paid in respectively (*4*) Balance Net Profit divided as under, say :—Adam Brown, two-thirds, Joseph Smith, one-third. Write up Adam Brown's and Joseph Smith's Ledger A/cs. for 1906, and show the balance to the credit of each on 1st Jan., 1907.

## INSTITUTE of SECRETARIES. (*June*, 1905.)

*Intermediate candidates should answer the first ten and Final candidates the last ten questions.*

**1.** State shortly the advantages of double entry over single entry book-keeping. **2.** What is a Journal ? State what classes of transactions are not now usually journalised, and the advantages of this course. **3.** Give an example of a Bill for £80, drawn at four months on the 1st Jan., 1905, by James Williams on Robinson and Co., and accepted by the latter, payable at Lloyd's Bank, Ltd. What stamp does this bill require and when is it due for payment ? **4.** Assuming that the Bill referred to in the previous question is dishonoured at maturity, what entries should be made in the books of the drawer and acceptors, respectively ? **5.** What is a Trial Balance ? Can a T.B. itself ever have a balance ? If so, what does it mean ? **6.** Explain the difference between Gross and Net Profit.

**7.** From the books of A, which have been kept by single entry, and from other sources, it appears that his position on the 31st Dec., 1904, was as follows :—Book Debts £7000, Cash in hand £10, Stock-in-Trade £3000, Furniture, Fixtures and Fittings £500, Trade Creditors £2500, Bank Overdraft £1000. A had commenced business on the 1st Jan., 1904, with a Capital of £3000, and during the twelve months had drawn out £600. Prepare a statement showing A's profit for the year 1904, after allowing for depreciation, &c., at 10% per ann. (*Profit* £4560.)

**8.** From the following T.B., prepare Trading, P. & L. A/cs. and B/S. of the London Electro-Plate Co., Ltd., on 31st Dec., 1904. **Stock** £15000. Nominal Capital £100000 in Shares of £1 each. Depreciate Plant and Machinery 7½% per ann. Provide a further sum of £120 to cover Bad and Doubtful Debts.

| **Dr. Balances**— | | **Dr. Balances** continued— | |
|---|---|---|---|
| Freehold Land & Buildings.. | £40000 | Cash in hand ..... | £20 |
| Machinery & Plant ..... | 30000 | Bad Debts ..... | 180 |
| Stock on 1st January, 1904.. | 18000 | Returns & Allowances ..... | 3000 |
| Materials Purchased ..... | 24000 | Patents ..... | 11350 |
| Wages ..... | 10000 | | |
| Office Salaries & Expenses .. | 3000 | **Cr. Balances**— | |
| Fuel & Motive Power ..... | 1200 | Subscribed Cap. (fully paid).. | 75000 |
| Rates & Taxes ..... | 500 | 5% Debentures (issued 1st July, 1904) ..... | 20000 |
| Discounts ..... | 750 | Trade Creditors ..... | 3000 |
| Bank ..... | 3000 | Sales ..... | 54000 |
| Book Debts ..... | 7000 | | |

**Answer.**—*Gross Profit* £14000 ; *Net* £5500 ; *Total B/S.* £104000.

**9.** What do you understand by " Goodwill ? " and how would you deal with this item in the successive Balance Sheets of a manufacturing company ? **10.** How should Premiums received on the issue of the Capital of a limited company be dealt with in the books ? Give your reasons. **11.** On the 31st Dec., 1904, A, B, and C dissolved partnership and on the adjustment of a/cs. it appears that A's Capital A/c. shows a credit balance of £3000, B's a credit balance of £1000, while C's Capital A/c. is overdrawn to the extent of £500. The balance to the credit of the

firm at the bank is £3500. C is adjudicated bankrupt, and nothing can be recovered from his estate. How should the bal. at bank be divided between A and B ?

**12.** State as fully as you can the difference between :—(*a*) Depreciation. (*b*) Maintenance. (*c*) Sinking Fund. **13.** State shortly the respective advantages and disadvantages, under varying circumstances, of (*a*) Card Ledgers. (*b*) Loose Leaf Ledgers, as compared with ordinary bound Ledgers. **14.** State fully how you would deal in the books of a company with payments made to the Commissioners of Inland Revenue in respect of Income Tax under Schedule " D," and with deductions made from Debenture Interest and dividends to shareholders in respect of Income Tax.

### INSTITUTE of SECRETARIES. (*December*, 1905.)

**1.** What do you understand by the signs " Dr." and " Cr." ? **2.** Distinguish between Real, Personal, and Nominal A/cs. Give one example (each) of a transaction affecting (*a*) only Real A/cs., (*b*) only Personal A/cs., (*c*) only Nominal A/cs., (*d*) all three classes of A/cs.

**3.** Prepare Trading, P. & L. A/cs. and B/S. on 31st Dec., 1904. **Stock**, £1000. Depreciate Fixtures and Fittings at 10% per ann. and divide the Net Profit in the proportions of three-fourths to A, and one-fourth to B.

| **Dr. Balances**— | | **Dr. Balances** continued— | |
|---|---|---|---|
| A. Drawing A/c. | £500 | Salaries | £250 |
| B. „ „ | 300 | Stock, 1st January, 1904 | 700 |
| Fixtures & Fittings | 500 | | |
| Bills Receivable | 400 | **Cr. Balances**— | |
| General Expenses | 200 | A. Capital A/c. | 3000 |
| Purchases | 4000 | B. „ „ | 1000 |
| Rent | 150 | Sundry Creditors | 2000 |
| Sundry Debtors | 3400 | Sales | 4400 |

Ans.—*Gross* £700 ; *Net* £50 ; *Cap. of A.* £2537 10 ; *B.* £712 10.

**4.** Taking the T.B. given in the previous question state to what class of Ledger A/c. each item belongs, and the exact meaning of each balance. **5.** On completing the P. & L. A/c. from a set of books you find that the result of the year's operations is a loss of £1000. How would you deal with this item in the case of (*a*) a company, (*b*) a partnership, (*c*) an individual ? **6.** Explain exactly what you understand to be the meaning of the credit balance appearing on the Capital A/c. of (*a*) a company, (*b*) an individual. **7.** Define " Gross Profit." State what a/c. shows the gross profit of a business, and what is the object of ascertaining it. **8.** On the 5th Nov., 1904, A. sold goods to B. to the value of £105, drawing upon B. at three months for the amount. On the 15th Nov. he discounted the Bill with the London and County Bank, who charged him £1 10s. On the 3rd Feb., 1905, A. having ascertained that B. would not be able to meet the bill, forwarded him cheque for £50 and with this assistance upon the part of A. the bill was duly met at

maturity. Show in the form of Journal entries how these transactions should be recorded in the books of B. **9.** Taking the facts stated in the previous question, show the a/cs. in the Ledger of A. which are affected by these transactions. **10.** If you were asked to verify the balance at Bank shown by a Cash Book, and agree it with the Balance shown by the Bank Pass Book, how would you proceed ? **11.** State exactly what you understand by a Sinking Fund. With what object is it created, and how is that object effected ? **12.** A Company offers for subscription 250000 shares of £1 each at a premium of 2s. 6d. per share, payable 5s. on application, 7s. 6d. on allotment, and the balance one month after allotment. Explain how you would deal with the various applications as received, and what records you would keep of the transactions between the Company, and each separate applicant up to the time of opening the share ledger. Give "pro forma" rulings of any special books that would be required. **13.** In response to the offer referred to in the above question, applications were received on 1st Oct., 1906, for 300000 shares. The Company went to allotment on the following day, when applications for 10000 shares were declined and the deposits received on application returned, applicants for 80000 shares received only half the amount of their respective applications, and the excess of their deposits was applied towards payment of the amount due on allotment. The remainder of the applications were allotted in full. Show the Journal entries to record above, including the Cash items.

**14.** From the Trial Balance of the Manchester Manufacturing Co., Ltd., for the half year ended 30th June, 1905, prepare Trading, P. & L. A/cs., and B/S. **Stock,** £15000. Depreciate Plant and Machinery 10% per ann., Business Premises 2½% per ann. Add £150 to Reserve for Doubtful Debts.

| | |
|---|---|
| **Dr. Balances—** | |
| Calls in Arrear | £250 |
| Stock, 1st Jan., 1905 | 14500 |
| Plant and Machinery | 4300 |
| Trade Debtors | 20000 |
| Bills Receivable | 4800 |
| Cash in hand | 25 |
| Cash at Bank | 5600 |
| Carriage | 550 |
| Travellers' Commission | 300 |
| General Expenses | 350 |
| Rates & Taxes | 480 |
| Purchases | 42000 |
| Wages | 12500 |
| Discounts | 1500 |
| **Dr. Balances** continued— | |
| Bad Debts | £270 |
| Salaries | 1200 |
| Directors' Fees | 1000 |
| Business Premises | 26000 |
| Auditors' Fee | 50 |
| **Cr. Balances—** | |
| Cap. A/c. (50000 Shs. of £1 ea.) | 50000 |
| Trade Creditors | 9600 |
| Bills Payable | 500 |
| Reserve for Doubtful Debts | 50 |
| Reserve Fund | 10000 |
| Sales | 65000 |
| Discounts | 500 |
| Transfer Fees | 25 |

**Ans.**—*Gross Profit* £10450 ; *Net* £5135 ; *Total B/S.* £74985.

## INSTITUTE of SECRETARIES. (*June*, 1906.)

**1.** Explain as clearly as you can why it is that the total of the entries on the debit side of a Ledger kept by double entry equals the total of the credit entries. **2.** Assuming that a set of

books have been correctly entered up to date what is the meaning of each of the following balances ? (*a*) Bad Debts, Dr. £46 10. (*b*) Discounts and Allowances, Dr. £120 10. (*c*) Returns, Cr. £16 5. (*d*) Bank, Cr. £532. **3.** Upon which side of what Ledger A/c. would you look for information upon each of the following items ? (*a*) Rent of Business Premises paid in advance. (*b*) Amount reserved for Bad and Doubtful Debts. (*c*) Bills Receivable discounted.

**4.** From the following T.B. prepare Trading, P. & L. A/cs. and B/S. of A.B. on 31st Mar., 1906. **Stock,** £4000.

| **Dr. Balances—** | | **Cr. Balances—** | |
|---|---|---|---|
| Stock, 1st April 1905 | £5000 | Sales | £34000 |
| Purchases | 25000 | Discounts | 800 |
| Salaries | 4000 | Sundry Creditors | 5000 |
| Sundry Debtors | 12000 | Bills Payable | 3000 |
| A.B. Drawings | 2000 | Bank | 3000 |
| General Expenses | 1200 | A.B. Capital A/c. | 5400 |
| Bills Receivable | 2000 | | |

**Answer.**—*Gross Profit* £8000 ; *Net* £3600 ; *Total B/S.* £18000.

**5.** On the 1st Jan., 1906, A drew upon B for £1000 at three months and B accepted the bill on the following day. On the 1st Feb. A discounted this bill with his bankers, who charged him 5% per ann. for the accommodation. The bill was duly met at maturity. Show, in Journal form, the proper entries in the books of A. **6.** A received from B on consignment 600 barrels of flour at 20s. per barrel. He paid freight £25, insurance £5, and storage £5. He sold 300 barrels at 26s. and the remainder at 25s., and charged B a commission of 2½% on such sales. You are required to show how the above transactions would appear in the Books of A. **7.** Taking the facts stated in the preceding question, you are required to show how the transactions would appear in the books of B assuming that the a/c. is settled by A forwarding to B a bill drawn on C at three months, which is duly accepted and met at maturity. **8.** Sometimes provision is made for depreciation of Plant by writing off a fixed proportion of the original cost in each year, and sometimes by writing off in each year a fixed percentage of the balance of the a/c. as it stood at the commencement of that year. Supposing that it is desired to write Machinery which cost £1000 down to (say) £600 at the end of the fifth year, state the amount that would be charged against each year's profits under each of these two systems. **9.** How is it that "Capital A/c." appears as a liability upon a Balance Sheet ? **10.** On the 1st May, 1906, A and B, who had previously carried on business apart, join in partnership. Show, in Journal form, the entries necessary to open the books of the new firm, supplying imaginary details.

**11.** Prepare Trading, P. & L. A/cs. and B/S. of the X Colliery Co., Ltd., on 31st Dec., 1905. **Stock,** £2500.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances continued—** | |
| Stock on hand, 1st Jan., 1905 | £1200 | Horsekeep & Maintenance | £7500 |
| Leasehold Colliery, Plant, Machinery | 400000 | Wagon Hire, Freight and Carriage | 40000 |
| New Works Expenditure | 180000 | Discounts | 12500 |
| Trade Debtors | 80000 | Salaries | 4000 |
| Bills Receivable | 15000 | Directors' Fees | 2000 |
| Bank | 24000 | General Office Expenses | 3000 |
| Stores & Materials in hand, 31st Dec., 1905 | 3500 | Rates, Taxes & Insurance | 7500 |
| Interim Div. paid 1 Aug., '05 | 30000 | **Cr. Balances—** | |
| Wages | 250000 | Cap. 500000 Shares o £1 each | 500000 |
| Rents & Royalties | 50000 | Reserve Fund | 100000 |
| Stores, &c., consumed | 60000 | Profit & Loss A/c. | 5000 |
| Horses | 6000 | Sales | 500000 |
| | | Sundry Creditors | 71200 |

**Answer.**—*Gross Profit* £191300; *Net* £64800; *Total B/S.* £711000.

**12.** Re-draft the B/S. of the X Co. referred to in the preceding question, showing how it should appear if framed on the double-account system. **13.** How would you deal with the expenditure upon the acquisition of patents in successive B/S.'s of an ordinary manufacturing Company? **14.** What is the difference between a Reserve and a Reserve Fund, and when is it desirable that each should be represented by investments outside the business?

## INSTITUTE of SECRETARIES. (*December*, 1906.)

**1.** How many kinds of books are there? Name them. **2.** Give a pro formâ example of a Cash Book having columns for Discount, Office Cash, and Bank. Insert six typical entries on each side, rule off the book, and bring down the balances. **3.** Upon which side of what Ledger A/c. does the balance fall which indicates (*a*) the amount of the bank overdraft, (*b*) the amount of bills payable standing, (*c*) the amount of the undivided profits of a company. **4.** Record the following transactions in a Journal:—Jan. 1, Sold goods to A. £100; 5th, Received from B. & Co. their bill for Law costs, £50; 8th, Received acceptance from A. for £100; 20th, Paid B. & Co., by cheque £48 in settlement of their a/c. **5.** Distinguish between Trade Discount and Cash Discount, and state how each should be dealt with in the books of a commercial business. **6.** Give the pro formâ ruling of a book suitable for recording the subscriptions received by (*a*) a club; or (*b*) a charitable institution.

**7.** What is Goodwill? How should the amount paid therefor be dealt with in the successive B/S. of (*a*) an individual trader alone, (*b*) a partnership, (*c*) a limited company?

**8.** Prepare Trading, P. & L. A/cs., and B/S. of John Welbeck & Co., Ltd., Manufacturers, on 31st Dec., 1905. **Stock**, £18750. Depreciate Patents 10% per ann., Machinery & Plant 10% per ann., Loose Tools 7½% per ann. Reserve £150 for Doubtful Debts.

| Dr. Balances— | |
|---|---|
| Freehold Land & Buildings | £40000 |
| Machinery & Plant | 48000 |
| Loose Tools | 5000 |
| Stock, 1st Jan., 1905 | 17500 |
| Materials Bought | 23750 |
| Wages | 9000 |
| Office Salaries & Travellers | 2500 |
| Coal & Coke | 1300 |
| Rates & Taxes | 430 |
| Discounts | 820 |
| Blankshire Banking Co., Ltd. | 3600 |
| Sundry Debtors | 6800 |
| Cash in hand | 90 |

| Dr. Balances continued— | |
|---|---|
| Bad Debts | £125 |
| Sales Returns | 1880 |
| Repairs | 405 |
| Interest on Debentures | 800 |
| Patents (cost) | 18000 |
| **Dr. Balances—** | |
| Issued Capital | 100000 |
| Debentures | 20000 |
| Sundry Creditors | 2000 |
| Bills Payable | 4500 |
| Profit & Loss A/c. | 500 |
| Sales | 53000 |

**Answer.**—*Gross Profit* £19620; *Net* £6115; *Total of B/S.* £133115.

**9.** What do you consider the best way of providing for Depreciation of Plant in the case of a manufacturing business? Illustrate your answer by showing the entries in a Plant A/c. for three years, assuming the original cost of the asset to have been £1000. **10.** Distinguish between Gross Profit and Net Profit in the case of a large trading concern divided into several departments.

**11.** On the 1st Sept., 1906, the A. Co., Ltd., purchases the business of A. as a going concern. The assets consisted of :—Machinery and Plant £390000, Stock-in-Trade £90000. Trade Debtors £50000, Land and Buildings £200000, Work in Progress £30000. It was arranged that the Company should take over and discharge the liabilities of A. amounting to £50000. The purchase price was fixed at £750000, payable £250000 in cash, and the balance in fully paid ordinary shares of £1 each. Show Journal entries to record these transactions. **12.** The X Mining Co., Ltd., having its registered offices in London, remitted to its Manager in West Australia during the year 1905 the sum of £5000. At the end of the year it received from its Manager returns showing expenditure as follows :—Wages on Development £1000, Wages on Mining and Milling £1200, Salaries £500, Stores £1500, Sundry Expenses £200. During the year Stores to the amount of £500 had been used chargeable against development, and £700 chargeable against mining and milling. Bullion sold had produced £2400, and the estimated amount of bullion unsold was £500. Show the Journal entries in the Head Office books

**13.** How is Depreciation of Fixed Assets provided for under the double a/c. system? **14.** The X Co., Ltd., by its Articles of Association, is required to set aside and invest the sum of £1000 per ann. before declaring any dividends, in order to provide for the redemption of £40000 Debentures redeemable in 25 years. At the end of that time the instalments so set aside have accumulated at compound interest to £41645. The invest-

ments have been sold and the Debentures repaid out of the proceeds of such sale. State how you would deal in the Company's B/S. with the credit balance of £41645 representing the accumulation of the annual instalments.

**INSTITUTE of SECRETARIES.** (*June*, 1908.)

**1.** State how many different classes of Ledger A/cs. there are, and give one example of each class, stating upon which side of the a/c. the balance would normally be. **2.** What do you understand by the expression, "Closing the books?" When does this operation take place, and what is its purpose? **3.** Journalise the following transactions:—(*a*) Bought from A goods value £50. (*b*) Sold to B goods value £25. (*c*) Allowed B as discount 12s. 6d. **4.** What do you understand by Tabular Book-keeping? State shortly under what circumstances the system is advantageous.

**5.** X, a merchant, in the course of preparing his B/S. for the past year, finds upon his books the following debit balances:—A, £10; B, £12; C, £15. A's a/c. he regards as wholly bad, and he does not expect to recover more than half of the amount due from B, and two-thirds of the amount due from C. Show Journal entries in X's books before preparing his B/S.

**6.** Prepare Trading, P. & L. A/cs. and B/S. of a City Merchant for the year ended 31st Dec., 1907; **Stock** worth £5000.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Stock, 1st Jan., 1907 | £4800 | Bank | £2400 |
| Purchases | 12250 | Drawings | 1200 |
| Premises | 9500 | Bills Receivable | 600 |
| Salaries | 650 | **Cr. Balances—** | |
| Carriage & Freight | 750 | Sales | 16500 |
| Rent, Rates & Taxes | 500 | Sundry Creditors | 5000 |
| General Expenses | 275 | Bills Payable | 500 |
| Bad Debts | 75 | Capital A/c. | 11000 |

**Answer.**—*Gross Profit* £3700; *Net* £2200; *Total B/S.* £17500.

**7.** Instance three different kinds of errors in a/cs. that would not disturb the agreement of the T.B.

**8.** Show the Ledger a/cs. affected by the following transactions and state through what books of first entry each would be recorded:—

1908.—Jan. 1. Sold to A. goods value £100.
„ 5. „ „ „ £200.
Feb. 1. Drew upon A at three months for £300.
„ 4. Discounted A's acceptance with Bankers at 6%.

**9.** State how you would deal with Cash Discounts in a business where the receipt and allowance of such discounts is frequent.

**10.** On the 1st Jan., 1888, the A. Co., Ltd., acquired a fifty years' lease of its business premises, paying therefor £10000. It was decided to provide for Depreciation by setting aside £90 per annum as a Sinking Fund, and on the 31st Dec., 1907, the amount so set aside had (with int.) accumulated to £2400. On the 31st Dec., 1907, the Directors obtained from an Insurance Co. a Policy assuring them the payment of £10000 at the end of thirty years, in consideration of an annual premium of £220, the first premium being paid on that date ; having thus provided for the redemption of Capital they gave instructions that the £2400 accumulated during the past 20 years should be stated in the B/S. dated 31st Dec., 1907, as "Reserve Fund." Do you consider this treatment correct ? Give reasons for your answer.

**11.** Capital expenditure has been defined as expenditure of such a character as to necessarily involve further expenditure for up-keep in subsequent years. Give two examples of Capital Expenditure that would not be covered by this definition.

**12.** State shortly the difference between the basis for the valuation of assets in the B/S. of a going concern and in the Statement of Affairs of an insolvent business. **13.** What is sectional balancing ?

**14.** X & Co. are Wholesale Drapers. It is their practice, when preparing their annual B/S., to make a Reserve of 2½% on their Trade Debtors and Creditors to cover Cash Discounts. On the 31st Dec., 1906, the Outstanding Debtors were £4872, and the Creditors £2648. At the end of the following year the figures were £3980 and £2964 respectively. During the year 1907 the totals of Discounts (as per Cash Book) were as follows : Dr. £1623, Cr. £1205. Show the Discount A/c. for the year 1907, as it would appear after closing the books on the 31st Dec. last.

## ROYAL SOCIETY of ARTS. (*Advanced*, 1905.)

**1.** Explain the difference between a "Trading" A/c. and a "P. & L." A/c., and state in which a/c. you would place the following, giving your reasons :—Purchases, Manufacturing Wages, Carriage, Returns, Sales, Allowances, Debenture Interest, Salaries, Advertising, Stocks and Materials.

**2.** Show how the following transactions should appear in the books of Richard Random & Sons. They shipped goods to Paul Gold, their agent at Cape Town, on 1st September, 1904, and sent therewith a *pro formâ* invoice for £578 (goods £500, freight £60, and insurance £18). On 28th October Paul Gold sent home an A/S., from which it appeared that a portion of the goods had realised £460 ; and deducting exs. £10 and comm. £25, he enclosed a draft at 3 months for the balance. The stock

unsold amounted at invoice prices, plus exs., to £280. On Nov. 2nd he sent home another A/S., which showed that the balance of the consignment had realised £320; which, less £8 exs. and £10 comm., he remitted by a 3 months draft. (*Profit on Consignment*, £149.)

**3.** The undermentioned errors were made by the counting house staff in the books of Messrs. Black & Brown during the year ended Dec. 31, 1904. How would you adjust these errors, and how would they affect the Annual A/cs. for that year? (*a*) On June 30, a builder's charge for the erection of a small shed, amounting to £198, was analysed in the Purchases Journal under the head of "Repairs" and posted to that a/c. (*b*) On July 1 a cheque for £18 2 4 received from James Smith was dishonoured and posted to "Allowances A/c." (*c*) On Aug. 12 the total of the previous month's wages was debited to "Manufacturing Wages A/c." During the month some new machinery had been put down, and the firm's own men had spent time thereon amounting to £141. (*d*) On Dec. 28, goods to the value of £64 were returned by Francis White and taken into stock; but not entered in the books until 2nd Jan., 1905.

**Ex.** The North London Engineering Co., Ltd., was registered on Jan. 1, 1903, with a nominal capital of £100000 in Ordy. Shs. of £1 each. It had power to issue £15000 Mortgage Debentures of £100 each, bearing interest at 4% per ann. It took over on that date an existing business and commenced manufacturing. At the close of 1904 **stock** was valued at £14250. The following **adjustments** were necessary before closing the a/cs.:—(*a*) Depreciation of Plant and Machy. at 10%, Patents at 20%; (*b*) Half-year's Debenture Int. due on Dec. 31 to be reckoned; (*c*) 5% provision for bad and doubtful debts to be made. Prepare Trading A/c., P. & L. A/c. and B/S. after carrying £1500 profit to the Reserve A/c.

| | |
|---|---|
| **Dr. Balances—** | |
| Unpaid Calls | £300 |
| Patents | 900 |
| Cash | 320 |
| Sundry Debtors | 7240 |
| Machinery & Plant | 12480 |
| Freehold Buildings (Jan. 1) | 24000 |
| Stock (Jan. 1, 1904) | 17200 |
| Manufacturing Wages | 22100 |
| Salaries | 2400 |
| Carriage | 560 |
| Rates, Taxes & Insurance | 252 |
| Trade Expenses | 721 |
| Repairs | 240 |
| Purchases | 84604 |
| Mortgage Debenture Interest | 180 |
| Provision for Auditors' Fees | 75 |
| **Dr. Balances** continued— | |
| Bad Debts | £578 |
| Int. payable & Bank charges | 138 |
| Additions to Buildings during the year | 3840 |
| **Cr. Balances—** | |
| Share Cap. A/c. (60000 shs. of £1 each issued and 10/- per share called) | 30000 |
| Sundry Creditors | 4095 |
| Reserve A/c. | 8500 |
| Mortgage Debenture | 9000 |
| Sales | 121580 |
| Rents | 374 |
| Unpaid Dividends | 58 |
| Holdfast Bank Ltd. (overdraft) | 4200 |
| Bad Debts Res. Jan. 1, 1904 | 321 |

**Answer.**—*Gross Profit* £11926; *Net* £5507; *Total B/S.* £61240.

## Dr. Profit & Loss Account for the Year ended 31st December, 1904. Cr.

| | | | |
|---|---|---|---|
| To Salaries A/c. | | | £2400 |
| ,, Carriage | | | 560 |
| ,, Rates, Taxes & Insurance A/c. | | | 252 |
| ,, Trade Expenses A/c. | | | 721 |
| ,, Repairs A/c. | | | 240 |
| ,, Depreciation Plant & Machinery @ 10% | | £1248 | |
| ,, Depreciation Patents A/c. @ 20% | | 180 | 1428 |
| ,, Mortgage Debenture Interest A/c. | | 180 | |
| ,, ,, ,, due 31 Dec /04 | | 180 | 360 |
| ,, Provision for Auditors' Fees | | | 75 |
| ,, Bad Debts A/c. | | 578 | |
| ,, Provision for B. & D. Debts @ 5% | £362 | | |
| *Less* Reserve for do., 1st January, 1904 | 321 | 41 | 619 |
| ,, Interest & Bank Charges | | | 188 |
| ,, Net Profit carried down | | | 5507 |
| | | | £12300 |
| To Reserve Account | | | 1500 |
| ,, BALANCE available for Distribution | | | 4007 |
| | | | £5507 |

| | |
|---|---|
| By Gross Profit from Trading A/c. | £11926 |
| ,, Rents Received A/c. | 374 |
| | £12300 |
| By Net Profit brought down | 5507 |
| | £5507 |

## Balance Sheet on 31st December, 1904.

| *Liabilities.* | | | *Assets.* | | |
|---|---|---|---|---|---|
| **Capital:**—*Nominal* 100000 Ordinary Shares of £1 each | £100000 | | Freehold Buildings, 1 January, 1904 | £24000 | |
| | | | Additions to do.—during 1904 | 3840 | £27840 |
| *Issued* 60000 Shares of £1 each 10/- per share called up | £30000 | | Machinery & Plant A/c., 1 January, 1904 | 12480 | |
| *Less* Calls in Arrear | 300 | 29700 | *Less* 10% Depreciation | 1248 | 11232 |
| Mortgage Debenture A/c. Issued 90 Bonds @ £100 each | | 9000 | Patents A/c., 1 January, 1904 | 900 | |
| Reserve Account 1st January, 1904 | 8500 | | *Less* 20% Depreciation | 180 | 720 |
| *Add* amount from Profit, December, 1904 | 1500 | 10000 | Stock on hand | | 14250 |
| **Creditors:**—Debenture Interest due | 180 | | Sundry Debtors | 7240 | |
| Sundry Creditors | 4095 | | *Less* Provision for Bad Debts 5% on £7240 | 362 | 6878 |
| Unpaid Dividends | 58 | 4333 | Cash in hand | | 320 |
| Holdfast Bank, Ltd., Overdraft | | 4200 | | | |
| **Profit & Loss Account,** Balance | | 4007 | | | |
| | | £61240 | | | £61240 |

**ROYAL SOCIETY of ARTS,** (*Advanced*, 1906.)

**1.** Walter Robinson, who is a slate merchant, has recorded his transactions in the following books :—(*a*) Sales Day Book, in which all sales to customers have been entered. The sales have been posted in detail to the debit of the customers' personal accounts in the "Sales Ledger." (*b*) Cash Book : Only "Bank" items have been dealt with in this book, and all cash thus received and paid has been duly entered. Cash received from customers has been posted to their credit in the "Sales Ledger." Cash paid to creditors for goods purchased has been posted to their debit in the "Purchases Ledger." With these exceptions no further posting has been done. (*c*) Petty Cash Book :—This book, used for small cash payments, has been kept in funds by a weekly cheque passed through the "Cash Book." (*d*) "Sales" and "Purchases" Ledgers, as referred to above. Statements from creditors and receipts have been kept on a file, but not otherwise dealt with. Except as detailed above, no further record of any kind has been kept by Robinson of his business transactions. Is Robinson's system of book-keeping an efficient one ? If not, what alterations or additions will be necessary, in order that he may be in a position to prepare proper annual accounts ?

**2.** Black and White enter into partnership upon equal terms as to profits or losses of the venture, for the purpose of perfecting an invention with a view to its sale to a Syndicate. No interest was to be paid on Partners' Capital prior to division of results. Black contributed £300 and White £150 to cover the cost of experiments, White giving his personal services without salary. Upon the completion of the necessary experiments the purchases and expenses were found to have amounted to £478. Black then advanced a further £50 and White paid a further £22 for Patent Fees, &c. The invention was sold by them to a Syndicate for £1000 in cash, which was paid to them, and 1000 fully paid shares of £1 each in the Syndicate, and these were duly allotted. Upon dissolving the partnership, White arranged to take over the stock of materials at an agreed valuation of £36, and undertook to discharge outstanding liabilities (if any). Black consented to take over the 1000 fully paid shares at an agreed valuation of £50. Prepare the accounts necessary upon the dissolution of partnership.

**3.** What is a "Cost Account" ? Give a specimen of a Cost Account suitable for use in some manufacturing business with which you are acquainted, giving both the ruling of such account, and also entering not less than six and not more than twelve items of cost relating to that particular manufacture.

**4.** What is meant by the "Double Account" system of Book-keeping ? To what classes of enterprise does it refer ?

**Ex.** The Sherbourne Iron Furnace Co., Ltd., has a registered cap. of 150000 shares of £1 each ; 120000 shares upon which 10s. per share has been called up, have been issued and subscribed. Owing to default by non-payment of Calls, 100 shares, upon which £5 has been received, have been forfeited in accordance with the Articles. On 30th Sept., 1905, the **Stock** was certified

by the Managing Director :—Pig Iron £16045, Limestone £78, Coal and Coke £900, Iron Ore, &c., £1128. The balances were extracted after all the necessary trade reserves and depreciations had been adjusted. Prepare a "Furnaces" (or Working) A/c., showing the cost of the Pig Iron produced, a Trading and P. & L. A/c. for the year ended 30th Sept., and a B/S., after carrying £2000 to the Dividend Reserve A/c.

| | | | |
|---|---|---|---|
| **Dr. Balances—** | | **Dr. Balances** continued— | |
| Freehold Premises | £23400 | Insurance (Fire & Employers' Liability) | £385 |
| Furnaces, Fixed Plant & Utensils | 24920 | Law Charges | 233 |
| Locomotives & Rolling Stock | 7411 | Bad Debts | 9 |
| Wages (Furnaces) | 8724 | Dividend A/c. (paid March 31, 1905, on a/c. of year ended Sept. 30, 1904) | 5995 |
| Limestone Stock | 122 | Cash in hand | 224 |
| Coal & Coke Stock | 1400 | Carriage Inwards | 2000 |
| Iron Ore, &c., Stock | 1006 | Carriage Outwards | 3000 |
| Pig Iron Stock | 26272 | | |
| Coal & Coke Purchases | 27227 | **Cr. Balances—** | |
| Limestone Purchases | 3320 | Reserve | 2000 |
| Iron Ore, &c., Purchases | 14467 | Share Capital | 59950 |
| Sundry Debtors | 7257 | Bills Payable | 120 |
| Rates & Taxes | 1297 | Profit & Loss | 7822 |
| Repairs & Renewals of Furnaces, &c. | 2500 | Sales | 86873 |
| Repairs & Renewals of Rolling Stock, &c. | 1221 | Forfeited Shares | 5 |
| Office Salaries & Sundry Wages | 1728 | Sundry Creditors | 5604 |
| Travelling Expenses | 237 | Bank Overdraft | 1981 |

**Answer.**—*Gross Profit* £17986; *Net*, £9876; *Distributable*, £9703.

**ROYAL SOCIETY of ARTS.** (*Advanced*, 1907.)

**1.** Give the form of B/S. as provided by law for one of the following :—(*a*) Gas Co.; (*b*) Railway Co.; or (*c*) Insurance Co.

**2.** A Manufacturer, whose business is divided into the three departments of knitted mufflers, sailors' jerseys and woollen gloves, adopts the following method of recording his sale transactions. When goods are dispatched, an invoice is made out in an invoice Carbon Copy Book, and sent to the purchaser. The Carbon Copy Book is then handed to the Ledger Clerk, who writes the Ledger folio of the customer's a/c. under the total of the Copy Invoice, and posts the item to the debit of the customer's a/c. in the Ledger thus :—*Invoice No.*

*April* 1, 1907. *To Goods, N.B., No.* 0001, £59 12 10.

Does this method appear to you to provide an adequate record ? If not, what would you suggest and with what object ?

**3.** What special instructions would you suggest should be given at the time of "Stocktaking" to the clerks who are responsible for checking inwards invoices and have charge of the Purchase Book and Purchase Ledger, so as to ensure the accuracy of the figures representing Purchases, Expenses and Stock as appearing in the Trading A/c. for the period under review.

**4.** George Hargreave commenced business as a builder on 1st Jan., 1906. He owns a gravel pit, from which he obtains material useful to him in executing his building contracts. From the following figures you are required to prepare the gravel pit Working A/c. for the past year to 31st Dec., 1906, so

as to enable him to charge the gravel he uses for his various contracts at the cost price per load. The gravel pit is leased to him for 24 years at a rental of £10 a year, and this he has duly paid. The equipment, consisting of the necessary screening machinery, &c., has cost him £552. The wages for the men at the pit for the year have been £247, while supplies to the department issued from the general stores (as shown by the storekeeper's records) were implements £43 15s. 6d., coal and coke £20 5s. 5d., and sundries £11 11s. 1d. Sales of gravel at the pit to outside purchasers amounted to 1568 loads at 2s. 6d. per load. Mr. Hargreave has used on his contracts during the year 2304 loads of gravel, carted from his pit with his own carts, to cover which he had charged his gravel pit Working A/c. 4½d. a load. In preparing the A/c. provide for writing off the value of the equipment over the period of the lease, by equal annual amounts; and, as he allows the pit the benefit of any profit on outside sales, to charge the working a/c. with interest at 5% per ann. on the equipment. **Answer.**—*Cost of Gravel per load,* 2/-.

**Ex.** The John Smith and Steel Nib Co., Ltd., was registered on, and took over the business of John Smith, as from 1st Jan., 1906. Smith sold his business to the Company upon the following valuation :—Buildings (on leasehold premises with 21 years to run from 1st Jan., 1906) £7500; Machinery and Plant £11650; Stock and Materials £3872; Goodwill £10000. The Company took over the Book Debts, which Smith guaranteed, while he discharged the liabilities existing on 31st Dec., 1905. The Company was registered with a Nominal Capital of £80000 divided into 80000 shares of £1 each. Of these 25000 fully paid shares were allotted to the Vendor as part consideration for the sale of the business, the balance being paid to him in cash. 20000 shares were offered to, subscribed, and fully paid by the Public, with the exception of 200 shares on which 10s. per share had been paid, and which were forfeited during the year 1906, by resolution of the Board of Directors, owing to the non-payment of the final call of 10s. per share. The books were closed on 31st Dec., 1906, the **Stock** amounted to £6760. Write off 1-20th of the value of the buildings (to provide for the expiration of the Lease); 8% of the Machinery and Plant; one-fourth of the Preliminary Exs.; and 5% for Bad and Doubtful Debts. Prepare Trading and P. & L. A/cs. and B/S.

| **Dr. Balances—** | |
|---|---|
| Purchases | £35720 |
| Rent | 76 |
| Rates & Taxes | 211 |
| Wages | 8241 |
| Salaries | 917 |
| Manufacturing Expenses | 2163 |
| Returned Sales | 763 |
| Discounts allowed (of which £239 were allowed on debts which were guaranteed in full by Smith and are payable by him) | 1033 |
| Office Expenses | 1006 |
| Directors' Fees | 200 |
| **Dr. Balances** continued— | |
| Sundry Debtors | £12380 |
| Preliminary Expenses | 400 |
| Bad Debts (of which £187 were in respect of the debts guaranteed by Smith and are payable by him) | 206 |
| Cash at Bank | 3599 |
| Auditors' Fees | 100 |
| **Cr. Balances—** | |
| Sales | 49798 |
| Returned Purchases | 311 |
| Discounts received | 561 |
| Sundry Creditors | 4467 |

State what dividend you would recommend to be paid to the Shareholders, and what balance of P. & L. A/c. would be carried forward to the next year. (*Proposed Dividend* 2½%.)

**Answer.**—*Gross Profit* £6110; *Net* £1322; *Total of B/S.* £50689.

**ROYAL SOCIETY of ARTS.** (*Advanced*, 1908.)

**1.** If, on comparing your Bank Cash Book Balance with your Bank Pass Book Balance, you found that the two did not agree, what steps would you take to check the correctness or otherwise of your Bank Cash Book, and what would be the principal differences you would expect to find? **2.** What is a "Cumulative Preference Share?" The A.B. Company is three years in arrear with the dividends on its 1000 6% Cumulative Pref. Shares of £1 each. Would this fact affect the annual a/cs.? If so, how? **3.** Give what you consider would be a satisfactory ruling for a Cost Sheet of a manufacturer, with whose accounts you are familiar. State from what books of a/c. the necessary information for the completion of the Cost Sheet would be obtained.

**4.** A. and B. are partners in A. and B.'s Coal Stores, and they share profits and losses equally. On 31st Dec., 1907, they had cap. in the business—A £3100 and B £2600. The assets and liabilities of the firm, as on that date, stood at the following figures in the books:—Office Furniture and Fittings, £320; Coal Trucks, £930; Trade Creditors, £848; Cash at Bank, £1166; Carts, Plant and Horses, £476; B/P., £652; Sundry Debtors, £3720; Cash in hand, £18; and Stock of Coal, &c., £570. They agree to take into partnership C, a coal agent, as from 1st Jan., 1908, on the following terms:—Profits and Losses to be shared:—A. 2/5ths, B. 2/5ths, and C. 1/5th. C. was to bring into the partnership "Book Debts" amounting to £560 (less a reserve for Bad Debts of 5%), and the Goodwill of his connection, valued at £310; while his Cap. in the new firm was to be £1000, the balance of which he was to pay in cash on signing the Articles of Partnership on 1st Jan., 1908. It was further agreed between A., B. and C. that the following adjustments should be made in the figures as shown on A. and B.'s B/S. on 31st Dec., 1907:—The Coal Trucks were to be taken at £1000, and the Carts, Plant and Horses as at £550, the result of an independent valuation; a Bad Debt reserve of 7½% was to be deducted from outstanding Debtors; the Goodwill of the old firm (A. and B.) was to be taken at £455; and A. was to be paid out from the Bank Bal. such a sum as would make his Cap. equal to B's. The Agreement was carried out. (*a*) Make Journal entries necessary to complete the above adjustments, and (*b*) Draw up a B/S. showing the position of the new firm as on 1st Jan., 1908.

**Answer.**—*Cap., A*, £2760; *B*, £2760; *C*, £1000; *Total B/S.* £8020.

**Ex.** The Albury Mining Company, Ltd., was registered on 1st Jan., 1907, and commenced operations at once as an Exploring and Mining Co. The Nominal Cap. consisted of 50000 Ordy. Shares of £5 each. Of this Cap. 20000 shares were issued and taken up by the public, 30/- per share being called up. During the process of sinking a shaft, a good deposit of clay was found, suitable for tile-making, and the Co. decided to manufacture and sell tiles, as a separate trading department. During the month of Dec. the Company's Engineer reported that a paying vein of tin had been reached; and the Directors decided that the cost to date of opening up this vein should be capitalised and written off over future years when the property was in full working order. Prepare (*a*) an a/c. showing the amount which you consider should be capitalised as representing the cost of opening up the tin vein, (*b*) an a/c. showing the trading results of the Tile Dept. for the year ended 31st Dec., 1907, and (*c*) the B/S. as on 31st Dec., 1907. The Directors decided that a charge of £343 should be made against the Tile Dept., as representing power, coal, &c., used; and a charge of £104, as representing a share of general trade exs. The **Stock** of Tiles on hand as on 31st Dec., 1907, was valued at £718. On the 31st Dec., 1907, the bal. of the Ledger A/cs. of the Co. were as follows :—

| | |
|---|---|
| **Dr. Balances**— | |
| Freehold Land at cost | £7000 |
| Buildings at cost | 563 |
| Preliminary Expenses | 410 |
| Stock of Stores & Coal, 31st Dec., 1907 | 988 |
| Coal consumed | 931 |
| Wages | 3843 |
| Salaries | 308 |
| Stores used | 2745 |
| Stores (Tile Department) | 56 |
| Wages (Tile Department) | 2733 |
| Machinery & Plant at cost | 12038 |
| Sundry Debtors | 359 |
| **Dr. Balances** continued— | |
| Rates, Taxes, Office & Sundry Expenses and Carriage | £584 |
| Carriage (Tile Department) | 215 |
| Legal Expenses (re Claim for injuries in Mine Accident) | 220 |
| Tramway & Wagons at cost | 1100 |
| Travellers' Commission (Tile Department) | 63 |
| Cash at Bank | 2477 |
| **Cr. Balances**— | |
| Capital | 30000 |
| Sales of Tiles | 2599 |
| Sundry Creditors | 3407 |
| Bills Payable | 627 |

**Answer.**—*Amount to be capitalised*, £8184; *Net Loss on Tile Department*, £197; *Total B/S.* £34034.

## ROYAL SOCIETY of ARTS. (*Advanced*, 1909.)

**1.** In a business consisting of various departments, in what way would you keep the Stock A/cs. so as to (*a*) minimise the danger of false returns by the Manager and (*b*) prevent theft on the part of dishonest employees? **2.** A Company having a Lease standing in their books at £5000 decide to provide for depreciation by taking out a policy for leasehold redemption. How would you deal with the annual premiums in the books; and how would you adjust the a/cs. when the lease expires and the policy matures? **3.** What do you understand by "Rebate on bills discounted," and how would you treat this item when preparing the Profit & Loss A/c. and B/S. of a Bank?

**4.** Jones, a trader, finding that, owing to his liabilities, he was unable to successfully carry on his business, executed a deed of assignment on 30th June, 1908, in favour of his creditors, under which the creditors agreed to accept 1s. in the £ in full satisfaction of their debts. Brown, the largest creditor, (his debt amounting to £1000) arranged with Jones to take over the business and to pay in £300 in cash, in order to provide sufficient to pay the 1s. in the £ to the creditors, other than himself, and to furnish the necessary working capital for carrying on the business; and a legal agreement was, in due course, entered into between Brown and Jones whereby it was agreed that Brown should carry on the business until such time as Brown should, from profits earned, have recouped himself his old debt of £1000 and the £300 advanced by him to Jones, together with the further sums it might be necessary for him to pay in, in order to carry on the business. Jones was to manage the business during that time at a salary of £1 10s. a week and 5% commission on the net profits. When the profits had reached the amount necessary to recoup Brown for his original debt and subsequent advances, it was agreed that the business should revert to Jones. The creditors on 30th June, 1908, including Brown, amounted to £4000; the debtors, which were all presumed to be good, to £500; the Stock was valued at £200, and the Furniture and Fixtures at £20. Make the Journal entries necessary for opening the new books for Brown, as on 30th June, 1908. Presuming that, on 31st Dec., 1908, Brown's books showed Creditors of £80 (not including Jones' commission for the half-year); Debtors of £700; Furniture and Fixtures, after additions and depreciation had been taken into consideration, of £25; and Cash at the Bank and in hand £200; draw Brown's B/S. as on that date, taking the stock at a valuation of £150. It is necessary, in accordance with the terms of the Agreement for the B/S. to show the amount then due to Brown.

**Ex.** The Manufacturing Co., Ltd., has a Nominal Cap. of 15000 shares of £10 each; and a Subscribed Cap. of 8000 shares, fully paid up. It manufactures goods for sale at its two branches A and B, which sell no other goods than those of the Company's manufacture. From the following T.B. as on 31st Dec., 1906, prepare Trading and P. & L. A/cs. for the Head Office and for each of the Branches for the year ended 31st Dec., 1908, and a B/S. of the Company as a whole as on that date. **Stocks** on hand valued as on 31st Dec., 1908, were :—Head Office, £10527 4 5; Branch A, £3024 12 1; Branch B, £1927 9 4. Write off depreciations :—Head Office Plant and Machinery 10%, Furniture & Fixtures Head Office 5%, Furniture & Fixtures Branch A 5%, Furniture & Fixtures Branch B 5%. Create a reserve for Bad Debts of 2½% on the Sundry Debtors. Write off £5000 from Goodwill and carry £10000 to Reserve. All carriage on the goods sent to the Branches is paid by the Head Office.

| Dr. Balances— | Head Office. | Branch A. | Branch B. |
|---|---|---|---|
| Freehold Premises—Head Office | £40000 – – | | |
| Branch A. | 10000 – – | | |
| Branch B. | 10000 – – | | |
| Goodwill | 30000 – – | | |
| Plant & Machinery, Head Office | 8000 – – | | |
| Furniture&Fixtures-HeadOffice | 500 – – | | |
| Branch A. | 700 – – | | |
| Branch B. | 800 – – | | |
| Cash at Bank | 6790 1 6 | | |
| Cash in hand | 14 7 2 | 83 2 9 | 38 9 5 |
| Stock in hand, 31/12/07 | 11245 5 1 | 2812 3 7 | 1994 17 6 |
| Purchases (less returns) | 65090 5 11 | | |
| Wages | 39651 1 11 | 2419 – – | 2622 3 4 |
| Salaries | 1500 – – | 247 14 4 | 276 6 6 |
| Carriage to Branches | 1516 14 7 | | |
| Rates & Taxes | 323 2 9 | 442 6 7 | 328 14 4 |
| General Expenses | 517 9 2 | 2016 4 6 | 1796 6 8 |
| Goods from Head Office | | 94167 2 3 | 44267 – 2 |
| Bad Debts | | 1552 8 2 | 746 17 11 |
| Sundry Debtors | | 9620 2 9 | 5370 3 2 |
| Income Tax ) No apportionment | 447 10 8 | | |
| Directors' Fees ) of these items | 1000 – – | | |
| Audit Fee ) to be made. | 105 – – | | |
| Branch A. Current A/c. | 301 18 3 | | |
| Do. B. do. | 3353 – 8 | | |
| | £231855 17 8 | £113360 4 11 | £57440 19 – |
| **Cr. Balances—** | | | |
| Share Capital | 80000 – – | | |
| Sundry Creditors | 11247 13 2 | 541 6 6 | 547 12 1 |
| Goods to Branch A. | 94167 2 3 | | |
| Do. do. B. | 44267 – 2 | | |
| Sales (less returns) | | 112517 – 2 | 53540 6 3 |
| Profit & Loss A/c. (balance) | 2174 2 1 | | |
| Head Office Current A/c. | | 301 18 3 | 3353 – 8 |
| | £231855 17 8 | £113360 4 11 | £57440 19 – |

**Answer.**—*Gross Profit, Head* £31457 19 4 ; *A.* £16143 6 5 ; *B.* £6583 14 7 ; *Net, Head* £26739 16 9 ; *A.* £11609 2 9 ; *B.* £3261 4 1 ; *Net Profit A/c., Bal. for Distribution* £28784 5 8. *Total of B/S.* £131120 17 5.

**ROYAL SOCIETY of ARTS.** (*Advanced*, 1910.)

1. John Garside keeps his "Sales Ledger" upon the "self-balancing" principle. Prepare the necessary "Adjustment A/c." as on 31st Jan., 1910.

Jan. 1. Total debtors' debit balances at this date were .. £12542
,, 31. Total goods sold to customers for the month .. 21658
Total goods returned by customers for the month 942
Total cash received from customers for the month ..... 15621
Total discount allowed customers for the month 968
Total acceptances received from customers during month ..... 3471
Total acceptances dishonoured by customers during month ..... 542

2. A. B. and C. D. are in partnership as manufacturers of printers' type. Their annual a/cs. are prepared upon the usual prudent lines, and duly provide for depreciation, bad debts and

like matters. Is it probable that the net profit of the above business, as shown by the annual a/cs. of the firm, would be accepted by the Surveyor of Taxes as representing the amount assessable under Schedule (D) for Income Tax purposes ? Give examples of any surcharges that you consider probable, if you are of opinion that the profit as shown by the firm's a/cs. would not be accepted as the basis of assessment.

3. What is the chief difference between a "Receipts & Payments A/c." and an "Income & Expenditure A/c.?" In what undertakings are these forms of accounts respectively made use of ?

4 Give the "Drawing A/c." of John Robertson as it would appear in the firm's Private Ledger as on 31st Dec., 1909, under the following conditions :—His Capital on 1st Jan., 1909, was £5000. His Drawings were :—1st May £250, 1st July £300, 1st November £200, 1st December £100. His share of profits for the year was £795. Interest is allowed by the firm's Partnership Articles on Capital, and charged on withdrawals at the rate of 5% per ann.

**Ex.** The Utopia Motor Works, Ltd., commenced business on 1st Feb., 1906, with a Nominal Capital of £200000, divided into 5000 Pref. Shares of £10 each, and 150000 Ordy. Shares of £1 each. Prepare Trading, P. & L. A/cs. and B/S. for year ended 31st Jan., 1910. Reserve for Interest on Loans accrued to 31st Jan., £26. Reserve for the proportion of Rates and Insurance paid in advance. **Stock,** 31st Jan., 1910, £19822. Loose Tools on 31st Jan., 1910, were valued at £7285. The Directors decided (1) that 2/3rds of the expenditure on advertising was to be carried forward in suspense ; (2) that the whole of the expenditure on repairs was to be charged against the Repairs Reserve ; (3) That the Reserve for Bad Debts was to be fixed at 4% on the value of the Trade Debtors ; (4) that 5% depreciation was to be written off the value of the Plant as on 1st Feb., 1909 ; (5) that £361 was to be written off for depreciation of Buildings.

| **Dr. Balances—** | |
|---|---|
| Plant (including additions during year £723) | £36803 |
| Rates, Taxes, Gas, Water & Insce. (including Rates for 1 year to 31 Mar., 1910 £126, and Insce. for 1 year to 31 Mar., 1910, £240) | 872 |
| Stock, 1st Feb., 1909 | 14685 |
| Goodwill | 22000 |
| Sundry Trade Debtors | 8700 |
| Calls in Arrear (Ordy. Shs.) | 806 |
| Preliminary Expenses | 537 |
| Purchases (including Carr.) | 57833 |
| Wages (Manufacturing) | 53129 |
| Salaries and Commission | 1263 |
| Directors' Fees | 2000 |
| Bad Debts | 1106 |
| Repairs | 2182 |
| Freehold Land & Buildings | 26782 |
| **Dr. Balances** continued— | |
| Loose Tools | £8001 |
| Advertising | 2190 |
| Office Expenses | 203 |
| Interest on Loans | 161 |
| Cash at Bank and in hand | 37 |
| **Cr. Balances—** | |
| 4500 Pref. Shares fully paid | 45000 |
| 22640 Ord. Shares 15/- paid | 16980 |
| 32000 Ord. Shs. (Vendors) fully paid | 32000 |
| Loans from Sundry Persons | 930 |
| Repairs Equalisation Reserve | 2648 |
| Sales | 107866 |
| Bank Loan | 3400 |
| Bills Payable | 11429 |
| Sundry Trade Creditors | 18176 |
| Transfer Fees | 17 |
| Bad Debts Res., 1st Feb., 1909 | 807 |
| P. & L. A/c., 1st Feb., 1909 | 37 |

**Answer.**—*Gross* £2041 ; *Net Loss* £6664 ; *Total B/S.* £127601.

## ROYAL SOCIETY of ARTS. (*Advanced*, 1911.)

**1.** The undermentioned transactions took place between Robertson & Co., of London, and Trumper & Co., of Melbourne :

| | | | |
|---|---|---|---|
| 1910. | Dec. 31. | Balance owing by Trumper & Co. to Robertson & Co., at this date..... | £500 |
| 1911. | Jan. 7. | Robertson's shipped goods to Trumper & Co..... | 300 |
| ,, | Apl. 10. | Bank draft received this day by Robertson & Co. from Trumper & Co. ..... | 600 |
| | 15. | Robertson's paid on behalf of Trumper & Co. :— | |
| | | Charges Orient Mail S.S. Co..... | 50 |
| | | London Packing Co., Ltd. ..... | 100 |

Prepare Account Current, bearing interest at 5%, to be rendered by Robertson & Co. to Trumper & Co., as on 30th April, 1911.

**2.** On 20th Jan., 1911, the Eastwood Timber Co., Ltd., allotted 500 ordinary shares of £1 each, numbered 18500 to 18999, to Ernest Willington, 33 Rayleigh Street, E.C., and on the same day they sent him a letter of regret with reference to the further 500 shares for which he had applied. E. Willington paid for the shares allotted to him as follows :—11th Jan., 1911, 5s. per share on application ; 20th Jan., 5s. per share on allotment ; and 10s. per share (final call) on 20th Feb. On 28th Feb., 1911, E. Willington purchased a further 500 shares, Nos. 1 to 500, on the Stock Exchange, for which he paid 21s. per share. The transfer from R. Gee, 14 High Street, Burnham, was lodged and approved on 6th March, 1911. On 31st March, 1911, E. Willington sold 100 shares, Nos. 1 to 100, to Peter Robinson, 14 Dowgate, Southminster, at 25s. per share, the transfer being lodged on 1st April ; approved 3rd April. Show the above transactions as they would appear in the statistical books of the Eastwood Timber Co., Ltd. Ignore all questions of brokerage, stamps and transfer fees.

**3.** The Tinacotah Rubber Plantation, Ltd., own a rubber estate in the East. Practically all the expenditure is local, and is made in cash. The rubber harvested is sent to Hamburg for sale by auction, the net proceeds being remitted to London. The local currency fluctuates considerably. You are required to outline briefly the system of Book-keeping you would advise the Company to employ, and to explain how you would deal with the question of currency and exchange. **4.** Describe briefly how you would convert a set of books, which had been kept on " Single-entry " methods, into the " Double-entry " system.

**Ex.** The Patent Rice Food Co., Ltd., was registered as a Private Company in December, 1909, with a nominal capital of £32,000, divided into 30,000 ordinary shares of £1 each, and 200 founders' shares of £10 each. The latter shares were issued, as fully paid, to the inventor of the patent food, in consideration for the license granted by him to the company for the sole right to

manufacture under his patent. The inventor and his friends subscribed for, and were allotted, 20,204 ordinary shares, upon which 12s. 6d. per share was called up. The Company started business on 1st Jan., 1910, and on 30th Sept., 1910, an interim dividend of 4%, free of tax, was declared and paid on the paid-up portion of the ordinary shares. On 31st Dec., 1910, the Ledger balances of the Company, in addition to those represented by the above transactions, were :—Calls in Arrear £2 10 –.

| | | | |
|---|---|---|---|
| Advertising | £1668 | Office Furniture | £219 |
| Bank Loan | 2000 | Office Salaries | 472 |
| Bills Payable | 4741 | Preliminary Expenses | 113 |
| Carriage | 977 | Purchases | 5816 |
| Cash at Bank | 1311 | Rent, Rates, Lighting & Insurance | 247 |
| Sundry Debtors | 3592 | Sales | 8862 |
| Discount on Purchases (less Dis. on Sales) | 93 | Sales Returns | 119 |
| Electrical Power for Factory | 151 | Stationery and Office Expenses | 77 |
| Extensions of Leasehold Premises | 2500 | Sundry Trade Creditors | 1427 |
| Interest on Bank Loan | 65 | Travellers' Salaries & Expenses | 1166 |
| Machinery Purchased | 8451 | Wages | 2299 |

**Stock** on 31st Dec., 1910, £3075. Prepare Trading, P. & L. A/c. and B/S. Adjustments to be Journalised. (*a*) Depreciation of Machinery at 10% per ann. for the six months during which the machines had been running. (*b*) Expenditure upon advertising to be spread over three years (1910 to bear a full share) and one half of Travellers' Salaries & Expenses to be carried forward to 1911. (*c*) The Carriage A/c. contained £236, representing freight on machinery erected at the factory, which it was decided to transfer to the Machinery A/c. The Wages included £93, representing the wages of men employed in erecting the machinery, which it was decided to treat in the same manner. (*d*) One quarter's rent of the factory, amounting to £52, was owing to 31st December, 1910, and must be reserved for.

**Answer.**—*Gross Profit* £3796 ; *Net* £506 ; *Total B/S.* £22846.

## ROYAL SOCIETY of ARTS. (*Advanced*, 1912.)

**1.** Prepare the necessary a/cs. relative to the following investment, which would appear in W. A. Richardson's Ledger : On 1st June, 1910, Richardson purchased £5000 New Zealand 3% (1945) Stock at 85½ plus 2s. 6d. % brokerage and 45s. stamps, etc. On 3rd Apl., 1912, Richardson sold £4000 of the stock at 89, and paid £6 7s. expenses. Int. on the stock is payable half-yearly on 1st Apl. and 1st Oct., less tax (to be taken at 1/2 in the £).

**2.** After considering the audited a/cs. of the Company for the year ended 31st Dec., 1911, the Directors of the Rayon D'Or Publishing Co., Ltd., resolved as follows :—(1) To pay the 6% dividend (less tax) due upon the Pref. Stock (£50,000) ; (2) To pay a dividend of 8% (less tax) upon the Ordy. Share Cap. (£60,000) ; (3) To Transfer £1500 to the Renewals Res. A/c. ; (4) To carry forward the bal. The profits shown by the P. & L.

A/c. amounted to £11,400. Assume the rate of Income Tax payable to be 1/2 in the £. Show the Journal entries necessary to carry out the above resolutions.

**3.** Give a form (or forms) of ruling of a Cash Book, suitable for the record of the Receipts and Payments of a Life Assurance Co. with a large business and many agencies. **4.** Is an employer under any obligation to the Income Tax authorities with reference to the salaries paid to his staff? Are Limited Companies and their employees upon the same footing as the ordinary employer and his staff in this respect?

**Ex.** A. and B. were in partnership as Manufacturing Ironmongers. Their Cap. A/cs. as on 31st Dec., 1910, were equal in amount at credit. The partnership agreement provided that A. should take £300 of the profits before B. received any share. The balance was to be divided equally between them. During the year ended 31st Dec., 1911, drawings were made by A. at the rate of £50 a month, and by B. at the rate of £6 a week. On 31st Dec., 1911, the Ledger Balances, in addition to those of the Partners' Capital and Drawings A/cs. were as shown below. **Stock,** 31st Dec., 1911, £6928 4s. 6d., Work in Progress £301 6s. 1d.; Loose Tools £406 13s. 2d. Prepare Trading, P. & L. A/cs. and B/S. after taking the following into consideration:—(1) the Auditors called the Partners' attention to the fact that the Leasehold Premises had not been depreciated in the past. The lease has 15 years to run, and it is decided to write off the book value in equal annual instalments; (2) 10% Depreciation to be written off Plant & Machy. as on 31st Dec., 1910, and 5% off the additions made during the year; (3) £50 depreciation to be written off Furniture and Fittings; (4) Wages A/c. is found to include £47, paid to men during the time certain repairs were being made by them to the machinery; and it is decided to transfer this amount to its proper a/c., and also to put through a transfer of £121 2s. 7d. as representing the cost of material used out of stock for such repairs; (5) The unexpired portions of Rates and Insurance were on 31st Dec., 1911, £27 2s. 3d. and £14 0s. 1d. respectively; (6) Create a Reserve for Bad Debts, 5% on Sundry Debtors.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash at Bank ..... | £280 | 2 | 8 | Sales ..... | £34242 | 12 | 7 |
| Cash in hand ..... | 37 | 15 | 2 | Sales Returns..... | 347 | 13 | 7 |
| Plant & Machy. (including additions during the year of £345 2s.) | 4018 | 2 | 1 | Purchases Returns .... | 742 | 12 | - |
| Furniture & Fittings .. | 273 | 14 | 7 | Stock, 31st Dec., 1910 | 6738 | | 2 |
| Discount A/c. (Dr. bal.) | 47 | 3 | 1 | Sundry Debtors ..... | 9261 | 12 | 6 |
| Manufacturing Wages | 7649 | 12 | 10 | WorkinProgress,31/12/10 | 276 | 14 | 11 |
| Salaries ..... | 962 | 13 | 6 | Advertising ..... | 117 | 17 | 1 |
| Purchases ..... | 20747 | 16 | 11 | Bad Debts ..... | 135 | 2 | 7 |
| Carriage ..... | 467 | 4 | 9 | Int. onTemporary Loan (repaid Nov., 1911) | 6 | 7 | 10 |
| Office Expenses ..... | 212 | 6 | 2 | Loose Tools, 31/12/10 | 431 | 14 | 2 |
| Postage and Stationery | 42 | 15 | 1 | Rent, Rates & Taxes .. | 346 | 15 | 3 |
| Sundry Creditors ..... | 2136 | 19 | - | Insurance ..... | 92 | 4 | 2 |
| Leasehold Buildings .. | 1500 | - | - | Commission ..... | 114 | 9 | 11 |
| | | | | Lighting & Heating ... | 102 | 4 | 7 |

**Answer.**—*Gross Profit* £6155 14 7; *Net* £2826 1 4; *Total of B/S.* £22051 - 4.

**ROYAL SOCIETY of ARTS.** (*Advanced*, 1913.)

1. The Falkirk Foundry Co., Ltd., was formed in January, 1912, to take over the business of John B. Clark, with a Nominal Cap. of 125,000 Shares of £1 each. The Assets were taken over at their book values; and in addition, 10,000 fully paid Shares of £1 each were issued to the Vendor as the purchase price of the Goodwill. 100,000 Shares of £1 each were offered to the public and were fully subscribed and called up. With the exception of £300, all calls were duly paid up, as on 31st Dec., 1912. During the year Debentures (5%) to the extent of £25000 were issued. In addition to the above transactions, the undermentioned a/cs. remained open upon the Company's Books as on 31st Dec., 1912:—Sundry Creditors, £8960; Land & Buildings £55895; Investments, £20220; Preliminary Expenses A/c. (Balance) £1560; Reserve Fund £2000; Stock-in-Trade (31st Dec., 1912) £12690; Plant A/c. £24908; P. & L. A/c. (undistributed balance) £2550; Cash at Bank £9876; Cash in hand £489; Sundry Debtors £12572. Prepare B/S. of the Company as on 31st Dec., 1912.

2. Briefly explain the meaning of the following entries, which appeared in the books of the East Essex Assurance Co., Ltd., at the close of the Company's financial year, and describe the sources from which the entries would be compiled.

| | | | |
|---|---|---|---|
| *a.* | Claims account .....Dr. | £15000 | |
| | To Outstanding Claims Account .... | | £15000 |
| | For claims admitted, but not paid. | | |
| *b.* | Agents' Commission Account .....Dr. | 1980 | |
| | To Sundry Agents ..... | | 1980 |
| | For commission due, but not yet paid. | | |
| *c.* | Outstanding Premiums Account ...Dr. | 21000 | |
| | To Premiums A/c. ..... | | 21000 |
| | For Premiums not yet collected. | | |

3. The books of John Rogerson & Co. are efficiently kept upon the double entry system, and include one Bought Ledger and three Sales Ledgers (Town, Country and Foreign). Write a short report, instructing the firm's book-keeper how to take the steps which are necessary in order to convert the above-mentioned Ledgers into Self-Balancing Ledgers.

4. Enumerate six items, other than depreciation, which would be properly charged in the P. & L. A/c. of a commercial undertaking, but which would be disallowed by the Surveyor of Taxes for an Income Tax Return under Schedule (D). In each case state the reason why the particular item you select would be surcharged by the Surveyor.

Ex. On 1st Jan., 1912, the Lucas Manufacturing Co., Ltd., was formed to acquire the business of Mr. A. B. Lucas. The Nominal Cap. of the Company amounted to £20000 divided into 20000 shares of £1 each. It was agreed that 10000 fully paid shares of £1 each should be allotted to the Vendor as the purchase consideration for his business. The remainder of

the shares were offered for public subscription, and 8000 shares were applied for and duly allotted. Up to 31st Dec., 1912, 17s. 6d. per share had been called up; and, with the exception of 2s. 6d. per share on 1,200 shares, had been paid in full. The balances, stated below, appeared in the books of the Company on 31st Dec., 1912, in addition to the balances represented by the above transactions. **Stock** £3104 14s. 10d. Prepare Trading and P. & L. A/cs. and B/S., after taking into consideration the following:—(*a*) Depreciate Plant and Machinery, and Fixtures & Fittings 10%; (*b*) One-half of the bal. of the Preliminary Exs. A/c. is to be written off; (*c*) A quarter's rent (£62 10s.) was outstanding on 31st Dec., 1912; (*d*) Rates and Insurance unexpired and paid in advance on 31st Dec., 1912, were respectively £17 2s. and £14 6s. 1d.; (*e*) Res. for Bad and Doubtful Debts is to be made up to 5% on the amount of the Sundry Debtors.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Plant and Machinery .. | £8741 | 10 | – | Bil ₹Receivable..... | £142 | 16 | 6 |
| Fixtures & Fittings.... | 942 | – | – | Discount A/c. (Dr. Bal.) | 18 | 9 | 1 |
| Sales ..... | 22952 | 14 | 9 | Preliminary Expenses A/c. | 216 | 7 | 2 |
| Sales Returns..... | 421 | 14 | 9 | Salaries ..... | 750 | – | – |
| Purchases ..... | 12642 | 14 | 7 | Directors' Fees ..... | 200 | – | – |
| Purchases Returns .... | 147 | 6 | 2 | Rates, Taxes & Insurance | 137 | 14 | 6 |
| Reserve for Bad Debts | 150 | – | – | Rent ..... | 187 | 10 | – |
| Manufacturing Wages.. | 5412 | – | 6 | General Expenses ..... | 216 | 14 | 1 |
| Carriage Outwards .... | 322 | 4 | 1 | Manufacturing Charges.. | 167 | 16 | 5 |
| Lighting & Heating .:. | 86 | 14 | 1 | Stock, 31st Dec., 1911 .. | 3416 | 18 | 4 |
| Fuel & Power ..... | 337 | 6 | 11 | Cash at Bank ..... | 647 | 14 | 11 |
| Sundry Debtors ..... | 6414 | 15 | – | Cash in hand ..... | 19 | 10 | 9 |
| Sundry Creditors ..... | 1342 | 10 | 9 | | | | |

**Answer.**—*Gross Profit*, £4143 11 2; *Net Profit*, £608 11 2; *Total of B/S.* £18863 11 11.

## ROYAL SOCIETY of ARTS. (*Advanced*, 1914.)

**1.** The undermentioned persons applied for, in the order named, and were, with one exception, duly allotted Shares of £1 each offered for subscription for Soleil D'or Limited. The Shares were payable as to 5s. per Share on application, 5s. per Share on allotment, and the balance as and when determined by Resolution of the Directors. The distinctive numbers allocated to the Shares in question ran from 1 onwards. The Application List was closed on July 1st, 1913, and all allotment moneys were paid on or before 15th July, 1913. Make the entries recording the application for, and allotment of, the following Shares in the Application and Allotment Book of the Company.

| | Applied for. | Allotted. |
|---|---|---|
| Robert Rheid, 16 Finsbury Circus, E.C., Wool Broker | 5,000 | 5,000 |
| George Dewey, 261 Low Pavement, Nottingham, Lace Manufacturer ..... | 1,000 | 500 |
| Robert Richmond, Eastwood, Essex, Rose Grower.. | 2,000 | 2,000 |
| Florence Veitch, The Manse, Loamtown, Spinster .. | 100 | none |

**2.** What is an Account Current? Illustrate, by means of a *pro formâ* account, a convenient method of arriving at the amount of interest chargeable on the current balance of an account between a merchant and his foreign agent.

**3.** On Dec. 31st, 1912, the Hadleigh Trading Co. appeared in the books of A. B. Waters as debtors to the extent of £497 12s. 6d.: and on 1st Jan., 1913, they accepted three bills, in settlement of their account; one for £150 at one month's date, one for £175 at two months' date, and a third, for the balance of the account, at four months' date. The first bill was duly met at maturity. The second bill was dishonoured, but was renewed at one month, plus 5% interest, and was duly met on maturity. The third bill was taken up, under a rebate of 5%, one month before maturity. Give the entries necessary to record these transactions in the books of A. B. Waters.

**4.** The P. & L. A/cs., as prepared by Robert Rayleigh, for the three years ended 31st March, 1913, are set out below. The factory occupied by him was his own freehold property, the Schedule A Assessment being £300 per annum. The Surveyor disallowed the amounts charged in the Accounts for Depreciation, but agreed to an allowance of £39 for Depreciation on Plant. Prepare R. Rayleigh's return for Schedule D purposes for the fiscal year 1913-14.

| P. & L. A/cs.— | 1911 £ | 1912 £ | 1913 £ |
|---|---|---|---|
| General Expenses .. | 450 | 501 | 462 |
| Depreciation (Plant) | 82 | 71 | 68 |
| ,, ,, (Fixtures) | 15 | 15 | 15 |
| Fire Insurance .... | 12 | 12 | 12 |
| Income Tax ..... | 29 | 27 | 19 |
| Interest on Capital | 350 | 350 | 350 |
| Charitable Donations | 10 | 19 | 17 |
| Salaries ..... | 560 | 620 | 580 |
| Net Profit ..... | 682 | 227 | 169 |
| | £2190 | £1842 | £1692 |

| | 1911 £ | 1912 £ | 1913 £ |
|---|---|---|---|
| Balance from Trading A/c. | 2190 | 1842 | 1692 |
| | £2190 | £1842 | £1692 |

**Ex.** A. was in business as a manufacturer, and on the 1st Jan., 1913, he admitted his manager B. as a salaried partner, on the following conditions:—(*a*) A Goodwill A/c. was to be opened in the books of the new firm, and debited with £5,000, and this amount was to be credited to the Partners' Capital A/cs. in the proportions of $\frac{3}{4}$ to A. and $\frac{1}{4}$ to B. The share of Goodwill credited to A. was equal in amount to one-third of the balance standing to the credit of his Capital A/c. before the admission of B. as a partner. (*b*) The Partners' Capital A/cs. were to be credited with interest at 5% per annum (out of profits). (*c*) B. was to receive (out of profits) a salary of £500 per annum, payable monthly, and he was also to be credited with 10% of the profits shown by the P. & L. A/c. before charging his salary or any interest on capital. The remainder of the profits (if any) were to belong to A. (*d*) B. was entitled to draw (with the consent of A.) during the year sums on account of his percentage of profits. (*e*) No interest was to be charged on the drawings of either partner. The entries required by clause (*a*) of the agreement were duly made on 1st Jan., 1913; and during the year ended 31st Dec., 1913, B. drew his agreed salary, and

also £50 on account of his percentage of profits. In addition to the amount standing to the credit of A.'s Capital A/c., before the admission of B. as a partner, and the balances represented by the above-mentioned transactions, the balances, stated below, appeared in the books of the firm as on 31st Dec., 1913. **Stock** £4,945 15s. 6d. Prepare Trading, P. & L. A/cs. and Balance Sheet, after taking into consideration the following adjustments :—(i) Depreciate Plant and Machinery 10%, additions made during the year 5%, and Fixtures & Fittings £27. (ii) One quarter's Rent, £75, was owing on 31st Dec., 1913. (iii) Rates and Insurance unexpired, and paid in advance, were respectively £12 6s. 2d. and £10 on 31st Dec., 1913.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash at Bank ..... | £490 | 12 | 4 | Sundry Creditors ..... | £2337 | 15 | 9 |
| Cash in hand ..... | 14 | 7 | 3 | Discount A/c. (Cr. Bal.) | 8 | – | 3 |
| Fixtures & Fittings.... | 327 | – | – | Postage & Stationery | 51 | 12 | 9 |
| Plant and Machinery (including additions during the year of £97) .. | 4524 | 12 | 6 | Office Expenses ..... | 197 | 14 | 7 |
| | | | | Manufacturing Expenses | 439 | 2 | 1 |
| Purchases ..... | 17420 | 14 | 4 | Stock, 31st Dec., 1912 | 5064 | 4 | 8 |
| Sales ..... | 31921 | 10 | 6 | Bad Debts ..... | 271 | 16 | – |
| Carriage Inwards..... | 114 | 11 | 11 | Rent ..... | 225 | – | – |
| Carriage Outwards .... | 246 | 14 | 5 | Bills Payable ..... | 1324 | 10 | – |
| A. Drawings A/c. ..... | 1275 | – | – | Rates, Taxes & Insurance | 127 | 2 | 10 |
| Manufacturing Wages.. | 5426 | 10 | – | Fuel & Power ..... | 102 | 4 | 7 |
| Office Salaries ..... | 641 | 16 | 8 | Lighting & Heating ... | 49 | 6 | 4 |
| Sundry Debtors ..... | 8942 | 14 | 10 | Purchases Returns .... | 987 | 14 | 1 |
| | | | | Sales Returns..... | 1326 | 12 | 6 |

**Answer.**—*Gross Profit*, £8063 4 7; *Net Profit*, £3754 19 6; *Total of B/S.* £23792 16 4.

## ROYAL SOCIETY of ARTS. (*Advanced, May*, 1915.)

1. The Income of George Gordon for the fiscal year 1913-14, was as follows :—Interest from £60,000 2½% Consols ; Interest from £5000 4% Mortgage on Freehold Property ; Directors' Fees £1500 ; Literary Profits £384 ; Mrs. Gordon's income was £400 (gross). Mr. Gordon owns the lease of the house he lives in, which is assessed under Sch. A. at £200, and is subject to an annual ground rent of £20. He pays £360 per ann. Life Insurance Premiums. Upon what amount is G. Gordon liable to the Inland Revenue for Super-Tax ; and what would he have to pay ?

2. It has been stated, in connection with the double-account system, that the Capital expenditure of Parliamentary Companies must always remain in the a/cs. at the original cost, no adjustments being permitted. Criticise this statement, and explain how the wastage of assets may be provided for.

3. Flotations Limited owed £300 to its printer, Charles Shaftesbury. The Company held 5000 fully paid Ordinary Shares of £1 each in Killarney Ltd., a subsidiary company, and offered 300 of them to Shaftesbury in discharge of his debt. The offer was accepted. The Killarney shares were valued in the books of Flotations Ltd. at 15s. per share. Show the Journal entries to record the above transaction in the books of Flotations Ltd. Ignore the question of transfer expenses.

**4.** Charles Testout, a colliery proprietor, leased the Leys Colliery to Oliver Rose. Under the Lease, a royalty of 6d. per ton was payable on all coal raised. The annual minimum rent was agreed at £1500, with power to recoup shortworkings during the first four years. The Coal raised was as follows :—1st year 42000 tons ; 2nd year, 43000 tons ; 3rd year, 50000 tons ; and 4th year, 64000 tons. Record the above in O. Rose's books.

**Ex.** The Wilson Manufacturing Company, Ltd., was formed with a nominal Capital of £25000, divided into 25000 Shares of £1 each, to acquire the business of Thomas Wilson as a going concern. On Dec. 31, 1913, the date on which the Company took over the business, Wilson's Capital A/c. stood at £10000, and it was agreed that he should receive £5000 in cash and £10000 in fully paid shares. All the Preliminary Expenses were to be paid by the Vendor. These arrangements were duly carried out. The remaining Shares were offered to the public, and 12000 Shares were subscribed for and allotted, and on Dec. 31, 1914, 10s. per Share had been called up. On July 1, 1914, £5000 4% Debentures were issued and subscribed at a discount of 5%. These Debentures were repayable at par on June 30, 1920. On Dec. 31, 1914, the following balances, in addition to those represented by the above transactions, appeared in the books of the Company :—Prepare a Trading and P. & L. A/c. for the year ended Dec. 31, 1914, and a B/S. as on that date. (*a*) Depreciation of Plant and Machinery and on Furniture and Fittings is to be written off at the rate of 10%, (*b*) £13 7s. 4d. is to be carried forward as representing the amount of Insurance unexpired, (*c*) the amount included in Fuel, Power and Lighting as being the amount chargeable for Lighting and Heating the offices of the Company is to be taken at £26, (*d*) the Bad Debt Reserve is to be increased to an amount equivalent to 5% on the Sundry Debtors, (*e*) **Stock** on Dec. 31, 1914. £4906 15s. 9d.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Calls in Arrear ..... | £75 | – | – | Sundry Debtors ..... | £6774 | 8 | 2 |
| Freehold Land & Buildings | 4500 | – | – | Directors' Fees ..... | 150 | – | – |
| Plant and Machinery .. | 1642 | 7 | 6 | Stock (Dec. 31, 1913).. | 5217 | 15 | 6 |
| Rates and Taxes ..... | 192 | 4 | 5 | Cash at Bank ..... | 2370 | 14 | 5 |
| Office Expenses ..... | 262 | 16 | 11 | Cash in hand ..... | 27 | 4 | 2 |
| Furniture and Fittings | 902 | 10 | – | Discount A/c. (excess of dis. received over that allowed) ..... | 27 | 4 | 1 |
| Carriage Inwards..... | 201 | 4 | – | Bad Debt Reserve (Dec. 31, 1913) ..... | 178 | 2 | 6 |
| Carriage Outwards .... | 176 | – | 4 | Sales ..... | 17214 | 16 | 4 |
| Manufacturing Expenses | 140 | 19 | 3 | Purchases Returns .... | 176 | 9 | 10 |
| Fuel, Power and Lighting | 147 | 16 | 9 | Sundry Creditors ..... | 2173 | 15 | – |
| Manufacturing Wages.. | 2646 | 14 | 1 | Bills Payable ..... | 1407 | 12 | 7 |
| Salaries ..... | 416 | 13 | 4 | | | | |
| Sales Returns..... | 421 | 12 | 1 | | | | |
| Purchases ..... | 10614 | 12 | 8 | | | | |
| Insurance ..... | 47 | 6 | 2 | | | | |

**Answer.**—*Gross Profit* £2933 7 7 ; *Net Profit*, £1187 16 2 ; *Total of B/S.*, £25794 3 9.

**ROYAL SOCIETY of ARTS.** (*Advanced, June*, 1916.)

**1.** What are the functions of the "General Ledger" as employed by an Assurance Company ? **2.** Differentiate between

the method of providing for depreciation in the single a/c. system as compared with the double a/c. system. Submit a *pro formâ* B/S. of a Co. working under the latter system.

3. When preparing A/cs. for submission to the Surveyor of Taxes for Sch. D purposes, how would you deal with the following items ?—(*a*) Annual instalment in reduction of a premium paid on a Lease, (*b*) Int. on Cap., (*c*) Profit made on a Stock Exchange speculation, (*d*) Contributions paid under the National Insurance Act, 1911.

4. W. Neil, of Glasgow, and M. Niphetos, of Kavalla, trade in conjunction by means of joint consignments. Profits or losses (including cost of discounting bills) are shared equally. Neil purchases in the U.K. and Niphetos in the Balkans. In both cases, sight bills are drawn for the invoice price of goods purchased. Disbursements are to be settled as and when the accounts of each venture are prepared. On 1st March, 1916, Neil purchased, for cash, hardware goods to the value of £2383 10s. 8d., and paid Freights and Shipping Charges £324 15s. 2d., Insurance £28 10s. 2d., Packing and Sundries £10 8s. 4d. On the same date he drew upon Niphetos and discounted the bill for £2360 4s. 1d. These goods having arrived, Niphetos disposed of them on 12th Apl. for cash £3384 7s. 9d., and incurred the following expenses :—Dock dues and Landing charges £28 7s. 2d., Duty and other exs., £341 7s. 2d. On the same day he honoured Neil's draft. Prepare a statement showing the result of the consignment, and give the entries which would appear in Neil's books.

5. R. J. Ashton & Co., Ltd., was registered with a Nominal Cap. of £20000, divided into 10000 Ord. Shares of £1 each, and 10000 6% Pref. Shares of £1 each. All the shares were offered for public subscription, and 5643 Ord. Shares and 6250 Pref. Shares had been applied for and allotted. Both classes of shares were fully called and paid up, with the exception of 10s. per share on £200 Ord. Shares. These shares were forfeited on 15th Sept., 1915, by resolution of the Directors, and were re-issued on 15th Dec., 1915, to a new holder for a cash payment of 15s. per share. On 30th Sept., 1915, there was an issue of £5000 4% Debs. at 95, repayable in 10 years at par. The whole of these Debentures were applied for and allotted. In addition to the balances represented by the above transactions, the following balances appeared in the books of the Co. on 31st Mar., 1916. Prepare Trading and P. & L. A/cs. for the year ended 31st Mar., 1916, and a B/S. as on that date. (*a*) 10% Depreciation to be written off Plant, Machy., etc. ; (*b*) the Reserve for Bad Debts is to be made equal to a sum representing 5% of the Sundry Debtors ; (*c*) Insurance unexpired on 31st Mar., 1916, (£16) is to be reserved for ; (*d*) B/R., not due until after 31st Mar., 1916, amounting to £672, had been discounted prior to that date ; (*e*) **Stock** on 31st Mar., 1916, was valued at cost price, £5132 18s.

| | | | |
|---|---|---|---|
| Stock (31/3/15) ..... | £4642 | 14 | 6 |
| Manufacturing Exs. .... | 217 | 13 | 4 |
| Directors' Fees ..... | 700 | – | – |
| Rates & Taxes ..... | 369 | 14 | 10 |
| Sundry Debtors ..... | 5962 | 13 | 4 |
| Legal Exs. & Audit Fee | 147 | 10 | – |
| Res. for Bad Debts (31/3/15) | 406 | 6 | 7 |
| Bills Receivable..... | 419 | 3 | 3 |
| Sundry Creditors ..... | 1496 | 6 | 2 |
| Carr. on Sales ..... | 269 | 14 | 10 |
| Lighting & Heating ... | 62 | 11 | 2 |
| Sales ..... | 16696 | 12 | 10 |
| Sales Returns..... | 219 | 9 | 5 |
| Freehold Land & Buildings | 4714 | 18 | 6 |
| Pref. Div. for yr. to Mar. 31st. 1915 ..... | 375 | – | – |
| Pref. Div. Interim Div. | £187 | 10 | – |
| Purchases ..... | 9755 | – | 3 |
| Purchases Returns .... | 362 | 12 | 6 |
| Salaries ..... | 968 | 4 | – |
| Insurance ..... | 59 | 4 | 2 |
| Dis. A/c. (excess of dis. recd. over dis. allowed) | 29 | 14 | 6 |
| Manufacturing Wages.. | 2614 | 14 | 3 |
| Office Expenses ..... | 362 | 12 | 1 |
| Factory Fuel & Power | 95 | 6 | 7 |
| Plant, Machy., &c. .... | 2069 | 10 | – |
| P. & L. A/c. (Credit Bal. Mar. 31st, 1915) .... | 696 | 10 | 6 |
| Carr. on Purchases .... | 176 | 3 | 9 |
| Cash at Bank ..... | 1977 | 5 | 7 |
| Cash in Hand..... | 14 | 9 | 2 |

## ROYAL SOCIETY of ARTS. Accounting & Banking, 1905.

1. To what class of enterprise does the system of Book-keeping known as the "Double Account" system apply? Briefly explain its distinctive features as compared with the "Single A/c." system.

2. Give a set of rulings suitable for the various books necessary to record the particulars and figures relating to the Share Capital of a Limited Co. from the first application for shares by the public to the final record of shares when fully paid, including transfers.

3. The following Ledger A/cs. appear in the T.B. of a Co. State how you would deal with the items in preparing the annual a/cs., and briefly comment on any points which would need special consideration:—(*a*) Goodwill A/c. (*b*) Repairs Reserve A/c. (*c*) Unclaimed Dividends A/c. (*d*) Debenture Issue Expenses A/c. (*e*) Preliminary Expenses A/c. (*f*) Expenditure during the year on the Co.'s Leasehold Works A/c. (*g*) Forfeited Shares A/c. (amount of cash received on forfeited shares).

4. Adjust for Income Tax (Schedule D) purposes the P. & L. A/c. of Messrs. Robert Sawyer & Son, Timber Merchants, set out below, and show the amount assessable for tax. The profits for the years 1902 and 1903, upon which tax was payable, were agreed with the Inland Revenue Surveyor, at £2304 and £1858 respectively. Gross Profit from Trading A/c., 31st December, 1904, £5430; Salaries £920; Bad Debts £425; Int. on Cap. at 5%, £1050; Income Tax £56; Depreciation on Plant at 10% £780; Loss through Cashier's Embezzlement £108; Res. for Bad Debts £870; *Less* Res. 31st December, 1903. £720: Annuity to G. Sawyer £350; Profit for the year c/d. £1591.

5. How should the following cheques be dealt with by the receiving banker? (*a*) Undated cheque; (*b*) cheque presented after notice of the drawer's death has been received; (*c*) cheque dated six months prior to presentation; (*d*) cheque dated on a Sunday.

6. The Blank Manufacturing Co., Ltd., desire to open an a/c. with the Bank of London, Ltd. Describe the formalities required in opening the a/c. 7. State three different classes of securities accepted by bankers against advances to customers, and briefly describe the formalities necessary in each case between the parties when the loan is effected. 8. Describe a Bill of Exchange. How and when is a bill noted and with what object?

## ROYAL SOCIETY of ARTS. Accounting & Banking, 1906.

1. The Steadfast Assurance Co., Ltd., was registered in 1900, and during that year the whole of the Share Capital (consisting of 100000 shares of £1 each) was paid up in full. Submit *pro formâ* accounts for the year ended 31st Dec., 1905, in accordance with the provisions of the Life Assurance Companies' Act (1870), and point out wherein the form of the prescribed a/cs. varies from that usually employed by Companies registered under the Companies' Acts, 1862-1900.

2. Is the P. & L. A/c., as set out below, properly drawn up? If not, submit the a/c. as you would present it.

PROFIT & LOSS Account, 31st December, 1905.

| | | | | | |
|---|---|---|---|---|---|
| To Salaries | | £820 | By Stock | £18200 | |
| ,, Depreciation | | 1401 | *Less* 1st Jan., 1905 | 17400 | £800 |
| ,, Purchases | | 42600 | | | |
| ,, Returns | | 362 | ,, Int. on Investments | 3400 | |
| ,, Discounts | | 421 | *Less* Loss on Sale of Investments | 900 | 2500 |
| ,, Dividend Paid | | 3842 | | | |
| ,, Directors' Fees | | 1000 | | | |
| ,, Trade Expenses | | 1200 | ,, Balance from last year's a/c | | 4321 |
| ,, Dividend (5% for year 1905) | | 6200 | ,, Sales | | 59940 |
| ,, Manufacturing Wages | | 3280 | ,, Error in Books | | 120 |
| ,, Transfer to Reserve A/c. | | 4000 | ,, Unclaimed Dividends | | 321 |
| ,, Balance carried to B/S. | | 2876 | | | |

3. The Turbine Steamer Co., Ltd., owns a fleet of 14 steamers trading to the Eastern Seas. These boats are at present insured in the ordinary way at Lloyds; but the Company desires to effect its own insurance for the future. Explain briefly what steps should be taken to inaugurate an internal marine insurance fund, and state what entries should appear in the books and annual accounts of the Co., when the fund was in operation. 4. Describe briefly the difference in the method of recording and presenting the Capital A/c. of an ordinary Commercial Limited Company, whose A/cs. are kept upon the "Single A/c." system as compared with a company working under a special Act of Parliament, whose a/cs. are necessarily kept upon the "Double A/c." system. Give a *pro formâ* Capital A/c. of an enterprise working under the latter system. 5. Describe briefly the course of action which is usually followed by Bankers with regard to funds in their hands:—(*a*) in the case of a deceased customer who left a will. (*b*) In the case of a deceased customer who did not leave a will.

6. State whether the undermentioned endorsements of cheques are in order; and if, in your opinion, irregular, explain in what way they should be amended.

(*a*) A cheque drawn in favour of "James Smith or Order" is endorsed, his
"James X Smith"
mark.

(*b*) A cheque drawn in favour of "Robert Radborn, Liquidator of the Hawk Motor Co., Ltd., or Order" is endorsed "Robert Radborn."

(*c*) A Cheque drawn in favour of "George Good & Sons or Order" is endorsed "George Good & Sons, A.R.C."

(*d*) A Cheque drawn in favour of "Walter Long's Executors or Order" is endorsed "per pro Walter Long's Executors, Geo. R. Long."

7. Is it absolutely necessary to note and protest a B/E. in case of dishonour? State briefly the legal object of noting a B/E 8. A.B. desires to borrow £500 from his Bankers, who undertake to advance this sum upon the security of A.B.'s Life Policy for £1000 (whole life without profits) in the Established Assurance Company. State the grounds upon which the Bankers would consent to make such advance, and what steps must be taken to carry out the transaction efficiently.

## ROYAL SOCIETY of ARTS. Accounting & Banking. 1907.

1. Robert Coe & Sons, Ltd., having brought out a patent article, sent samples to all their customers on "sale or return." Customers keeping the goods were to be entitled to a discount of 20%, if paid for in one month. The samples were passed, at the full list price, to the debit of the customers and to the credit of the "Sales A/c." How would you deal with these transactions when preparing the Company's Annual A/cs.?

2. The P. & L. A/c. of William White showed a credit balance of £2040 for the year ended 31st Dec., 1906, as compared with £1850 for 1905, and £3210 for 1904. These profits were arrived at after debiting the following items:—

| | 1904. | 1905. | 1906. |
|---|---|---|---|
| White's Salary (Paid weekly through the Salaries A/c.) | 250 | 250 | 250 |
| Interest on Capital at 5% | 152 | 175 | 181 |
| Sinking Fund, for replacement of Engine | 100 | 100 | 100 |
| Subscription to King's Hospital Fund | 10 | 10 | 10 |
| Employers' Liability Insurance | 50 | 62 | 54 |

White also owns house property of the gross value of £800 per annum subject to ground rents of £150 per ann. The property is mortgaged for £2000 at 4½% per ann. He also holds £4000 Great Eastern Ry. Consolidated 4% Pref. Stock, and £2500 Henry Tate & Sons, 4½% Debenture Stock. Make out White's Income Tax Return for 1907-8.

3. Messrs. Clark, Ellis & Co. are a firm of London Manufacturers, whose chief business is in England. They have, however, a considerable business with South American buyers, and invoice goods to them in local currency and accept payment by bills in the same currency. How would you record the South American transactions in the books of the firm ?

4. Select, in the case of each of the undermentioned undertakings, an asset which you would expect to find in the Balance Sheet of a Company of that kind, and which is to a large extent peculiar to it. Briefly describe how such assets should be treated (*a*) as to valuation, (*b*) as to depreciation, when preparing the Company's Annual A/cs. :—(1) Brewery. (2) Bank. (3) Colliery.

5. What do you understand by the term "Currency ?" Briefly describe the principal functions and attributes of money.

6. Mr. Chitty writes to his Bankers as follows :—1 *April*, 1907.

*The Managers,*

*The Stedfast Bank, Ltd , Cornhill, E.C.*

*Dear Sirs, Please purchase for me the undermentioned shares,*

*Yours faithfully, Joseph Chitty.*

*J.C.*—100 *Preference Shares Debenhams, Ltd.*

*J.C.*—100 *Ordinary Shares Aerated Bread Co., Ltd.*

Is the above letter a sufficient authority to the Bankers to purchase the shares and to debit the cost of the same to Mr. Chitty's A/c. with the Bank ?

7. Explain the difference, if any, between limited and unlimited legal tender. What constitutes legal tender in England ?

8. Explain the undermentioned terms as applied to cheques ; and briefly describe the duties and responsibilities of Bankers with regard to cheques so marked :—(1) "Out of Date," (2) "Not Negotiable," (3) "Crossed to two Bankers," (4) "Drawer deceased," (5) "Effects not cleared."

## ROYAL SOCIETY of ARTS. Accounting & Banking, 1908.

1. The Companies' Act, 1907, enacts that every Public Limited Company shall file annually with the Registrar of Joint Stock Companies (with the "Summary" under Section 26 of the Companies' Act, 1862), a Statement, in the form of a B/S., audited by the Company's Auditor, containing a summary of its capital, liabilities, and assets ; and giving such particulars as will disclose the general nature of such liabilities and assets, and how the value of the fixed assets has been arrived at. Submit a *pro formâ* Statement, conforming with the above requirements.

2. In closing the books of a manufacturing firm, how would you arrive at the amount representing the value of "work in progress" ? How would such an item be treated in the annual a/cs. ?

3. A. & B. are in partnership and share profits as follows :—A. 2/3rds ; B. 1/3rd. The results of the trading of the firm, as shown by the P. & L. A/cs., for the past three years were respectively :—1905, a profit of £4800 ; 1906, a loss of £350 ; and 1907, a profit of £5400. Prepare a Return of Assessment of Income Tax under Schedule D for the current year. Before arriving at the profits, the following items had been charged in the a/cs. of the firm :—

| | 1905. | 1906. | 1907. |
|---|---|---|---|
| Transfer to Reserve Account ..... | £200 | nil | £250 |
| Ground Rent (less Tax) ..... | 30 | £30 | 30 |
| Income Tax, Schedule A..... | 10 | 10 | 10 |
| " " D ..... | 200 | 200 | 190 |
| Banker's Interest ..... | 32 | 61 | 15 |
| Written off Goodwill ..... | 100 | nil | 200 |
| Pension to late Cashier ..... | 60 | 60 | 60 |

4. B. J. R. & Co. are the owners of a business, working upon the multiple shop system. No branch is allowed to purchase any stock, and can only make payments in cash, through their petty cash account, which is replenished weekly upon the "imprest system." All receipts are paid daily into the local

bank, upon which the Head Office alone can draw. Upon what basis should goods be stocked out to the branches? Explain briefly the records which the Head Office books would show in the case of each branch.

3. What is the proper endorsement for the following cheque, Mr. Andrew Smith being an illiterate person:—

Medchester, 1st January, 1908.

To the Bank of Medchester, Limited.

Pay to Mr. Andrew Smith.....or order
Twenty pounds.
£20 0 0 James Jones & Co.

6. Briefly state the relations which the Bank of England has to the banking world, the government, and the general public.

7. What is a letter of credit? If the grantee of a letter of credit fraudulently increases the amount for which such letter is issued, what is the liability (if any) of a person negotiating, in good faith, a draft, drawn under such a document, for a larger amount than the original letter of credit was issued for?

8. Are the following endorsements in order? If not, what are the Banker's duties and responsibilities with regard to them? (*a*) A cheque payable to Richard Yea or Order was endorsed:—"Jacob Oppenheim, Richard Yea's Sole Executor." (*b*) A cheque payable to the Holme Parish Council was endorsed: "A. H. Barrow, Clerk to the Holme Parish Council." (*c*) A cheque payable to Mr. Alfred Hunt or Order was endorsed:—"Mary Hunt, Widow of A. Hunt." (*d*) A cheque payable to John Jenkins, Esq., or Order was endorsed: "per pro. J. Jenkins, Wm. Watkins."

## ROYAL SOCIETY of ARTS. Accounting & Banking, 1909.

1. How would you deal with the undermentioned items when preparing the annual a/cs. of a Company:—(*a*) Premiums received on an issue of Debentures. (*b*) A Policy on the life of A.B. for £5000 (payable at death without profits), taken over against a bad debt of £6000. A.B. is 70 next birthday, and the annual premium on the policy amounts to £130. (*c*) A new cigarette-making machine invoiced at £750, from which an allowance of £300 was subsequently made in consideration of the machine being exhibited in daily use at the Company's Stand at the Franco-British Exhibition.

2. Outline briefly, with sketches, any system of entering and checking the stores used in a manufacturing business with which you are familiar, and of which you approve.

3. Give a *pro formâ* example of a Capital receipts and expenditure a/c. under the double account system. State briefly how depreciation can be provided for under this system of accounting.

4. Criticise the following Trading and P. & L. A/c. and B/S.; and draw them as you would present them to the shareholders of the Company at the Annual Meeting, giving *pro formâ* figures for any items you think should be inserted:—

### The Patent Mixtures Company, Limited.

### Trading & Profit & Loss Account

for the year ended August 31st, 1908.

| Dr. | | | Cr. | |
|---|---|---|---|---|
| To Stock on hand .... | £5321 | | By Goods sold ..... | £5571 |
| *Less* Plant ..... | 2108 | | Additions to Plant ..... | 180 |
| | | £3213 | Stock in hand ..... | 4153 |
| Goods bought ..... | | 5130 | Balance to Balance Sheet .. | 514 |
| Wages ..... | | 915 | | |
| Carriage ..... | | 55 | | |
| Branch Wages and Expenses | | 312 | | |
| Bad Debts ..... | | 210 | | |
| Rents, Rates and Insurance .. | | 319 | | |
| Trade charges ..... | | 264 | | |
| | | £10418 | | £10418 |

**Balance Sheet.**

| Liabilities. | | Assets. | |
|---|---|---|---|
| Share Capital | £5432 | Sundry Debtors | £2890 |
| X. Y. Z. | 1509 | Plant and Machinery | 2265 |
| Bankers | 769 | Stock in hand | 4153 |
| Sundry Creditors | 2114 | Cash in hand | 3 |
| | | Balance | 514 |
| | £9825 | | £9825 |

5. On 26th Jan., 1909, the Loamshire Bank obtained knowledge of an "Act of Bankruptcy" committed by their customer, Herbert Hodges. Two days afterwards (28th Jan.) three cheques drawn by Hodges were presented for payment and duly honoured by the bank. What is the position and responsibility of the Bank with reference to these cheques?

6. Give illustrations of three different methods of crossing cheques and briefly explain the effect and advantage of each crossing. Is a Banker under any liability if he disregards the instruction "A/c. Payee only" as appearing as a crossing on a cheque?

7. On 25th Jan., 1909, John Smith called at the Union Bank of London and paid in the following:—Gold, £25; Bank of England Notes £50; Cheque drawn on the Old Bank, York, £62; Cheque drawn on the Joint Stock Bank, Princess Street, E.C., £41. Trace the history of the above items as they would appear in the books of the Union Bank of London. 8. Explain the difference (if any) between:—(*a*) A general acceptance of a B/E. (*b*) A qualified acceptance of a B/E. Give an example of each to illustrate your answer.

## ROYAL SOCIETY of ARTS. Accounting & Banking, 1910.

1. What is a "Secret Reserve?" Give two examples showing how a Bank or other "Financial House" could create a "Secret Reserve." 2. Explain briefly, by means of *pro formâ* examples, how "Royalties" and "Short-workings," arising out of a mining lease, are dealt with in the books of the lessee of a colliery.

3. Robert Laws has been surcharged by the Surveyor of Taxes with the under-mentioned items in reference to his assessment under Schedule (D):—(*a*) 5% depreciation only, instead of the 10% claimed, has been allowed; (*b*) Interest on loan from J. Smithers disallowed; (*c*) Cost of removing offices to new building disallowed; (*d*) Subscription to local hospital disallowed. Has Laws any right of appeal against these surcharges? If so, what course is open to him, and what chance of success has he in respect of the above items?

4. The Alpha Printing Co., Ltd., issued 10000 6% Cumulative Preference Shares of £1 each in Jan., 1904. Up to and including the year ended 31st Dec. 1906, the Preference Dividends were duly paid. Since that date the profits have been insufficient, and nothing has therefore been paid to the Preference Shareholders. Does this fact need record in the books or annual a/cs. of the Company? If so, how would you record the same?

5. The officials of the Share Gunpowder Co., Ltd., are as follows:—Directors, R. Edwards (Chairman), George Hughes, Frederick Gee and R. B. Burbridge; Secretary: R. H. Woodside; Bankers: The London & County Banking Co., Ltd. The Company owe £142 10 2 to Robert Chambers. Draw a cheque in settlement of this amount having due regard to the prevention of fraud, and to the necessity for safeguarding the personal liability of the signatories.

6. What is a "Documentary Bill?" Give an example, and briefly describe the documents you would expect to find attached thereto. 7. Give three examples of "special crossings" in common use in connection with cheques. Explain in each case, the manner in which the negotiability of the cheque is restricted by the crossings you give.

8. A.B. obtains his Pass Book from his Bankers, in which the position of his a/c. on that day is shown by an entry of the balance. He returns the Pass Book to the Bank without objection to any of the entries in it. It is subsequently discovered that one of the items debited to him represents a cheque

presented by his Cashier and cashed, the Cashier having forged A.B.'s signature to the cheque. Who is liable to make good the amount of the cheque so forged? Does the return of the Pass Book without comment make A.B. liable? Has A.B. to take any precautions to prevent such a forgery taking place; and if so, what?

## ROYAL SOCIETY of ARTS. Accounting & Banking. 1911.

1. What is the chief difference between a Balance Sheet and a "Statement of Affairs"? Give a specimen B/S. in condensed form; and show how the same figures would appear in a "St. of Affairs."

2. The undermentioned items appeared in the annual a/cs. of a Limited Company. State briefly how they should be treated, when preparing the Company's return under Schedule (D) for income tax purposes. (*a*) 5% reserve on total Sundry Debtors as a provision for Bad and Doubtful Debts. (*b*) Interest received on deposit a/c. with the Dresdner Bank, Old Broad Street, E.C. (*c*) Premiums received on an issue of new shares. (*d*) Loss by embezzlement by one of the Company's travellers.

3. What is the usual custom with undertakings, whose a/cs. are compulsorily kept on the "double account system," as to providing for the wastage of their assets? If such provision be made, how does it generally appear in the published a/cs.? 4. Explain briefly, with examples, the system of stock and cost a/cs. which you would introduce for use in the office of a firm whose chief articles of manufacture consist of small machine parts. What is the first step you would take in introducing the system you recommend?

5. A textbook says "the addition of the words *not negotiable* to the crossing of a cheque renders the cheque untransferable, and therefore useless except to the *payee*." Comment on this statement. Can the words *not negotiable* be used for the protection of commercial documents other than cheques?

6. What is a Bank Post Bill? Briefly describe the usefulness of this document for commercial purposes, as compared with a cheque or a bank note. 7. A bill drawn in Denmark upon an English firm, is marked as payable in the "middle of April." Upon what day can payment be demanded?

8. Make out the "Return" of the Bank of England on 15th Feb., 1911, in both Issue and Banking Departments respectively, from the following items:—

| | | | |
|---|---|---|---|
| Notes issued | £54,954,750 | Notes in reserve | £28,029,205 |
| Government debt | 11,015,100 | Coin & bullion (both departments) | 37,496,973 |
| Government securities | 14,830,493 | Coin & bullion (issued) | 36,504,750 |
| Other securities (issue) | 7,434,900 | The rest | 3,560,599 |
| Other securities (banking) | 29,305,667 | Proprietors' capital | 14,553,000 |
| Public deposits | 13,751,475 | Seven day and other bills | 29,681 |
| Other deposits | 41,262,833 | | |

Give the amount of the notes in "active circulation." Explain briefly how the Money Market and "Bank Rate" are influenced by the "Bank Return"; and which of the above items principally affect the matter.

## ROYAL SOCIETY of ARTS. Accounting & Banking. 1912.

1. What do you understand by the "slip system of Ledger posting"? To what classes of business can the system be advantageous y applied? Illustrate your answer by giving two *pro-formâ* posting slips applicable to the business you select. 2. Outline briefly the rules which should govern the Balance Sheet valuation of investments, held by Limited Companies.

3. The following figures have been extracted from the Books of the Thamesmouth Life Assurance Co., Ltd., as on 31st Dec., 1911:—Amount of Life Assurance Fund at the beginning of the year £1,650,540; Fines for revival of policies £620; Expenses of Management £86,460; Amount of Life Assurance Fund at the end of the year £1,810,120. Prepare the Revenue A/c. of the Co. in the form required by Statute, inserting imaginary figures for the remainder of the items you would expect to find in such an a/c.

4. The following items appeared in the a/cs. of the Pleasure Steamers Co., Ltd. How should you deal with them when preparing the Company's return under Schedule (D), for income tax purposes? (*a*) Profit of £1500 realised by sale of London & General Omnibus Co.'s stock which formed part of the

Reserve Fund Investments; (*b*) £150 written off during the year, representing one-fifth of the Preliminary Expenses A/c.:—(*c*) Depreciation, at the rate of 6% written off the cost price of the Company's Steamers; (*d*) 3000 fully paid shares of £1 each, received as part purchase price from a Subsidiary Company and distributed, by way of bonus, to the Pleasure Steamers Company Shareholders.

5. Define the terms "Usance" and "Days of Grace" as applied to Bills of Exchange. What practical value do you attach to the tables of "Usances" and "Days of Grace" sometimes published in textbooks?

6. Describe briefly the chief functions of the Bank of England. 7. What proportion of the funds entrusted to a Banker is, usually, immediately available in the shape of cash? State briefly, and upon broad lines, how the balance of the funds entrusted to him (after making the above reserve) is, usually, utilised by a Banker.

8. Name three of the A/cs. which you would expect to find in the General Ledger of a Bank. Briefly explain their purpose, and describe the sources from which they have been written up.

## ROYAL SOCIETY of ARTS. Accounting & Banking, 1913.

1. State how you would deal with the undermentioned items (included in the Profit & Loss A/c. of the Company) when preparing the Income Tax Return under Schedule (D), of the Isle Engineering Co., Ltd. (*a*) "Patent Royalties £867" being the amount paid during the year to George Ward, by way of royalty, on his patent blowers, manufactured by the Company; (*b*) "Profits of the South African Branch £1290," being the Profit made by this branch for the year, £1360, less Local Income Tax £70; (*c*) "Transfer to Sinking Fund for the redemption of Debentures £1000," being the annual instalment transferred to this fund.

2. Briefly describe a system of Book-keeping which could be suitably employed by a Life Assurance Company, and give *pro formâ* rulings of not more than two books which you would recommend.

3. Describe the best method of keeping the accounts relating to the investments of an individual or a Firm, and record the following transactions in the books you would recommend:—On 3rd May, 1911, Robert Rene bought £2000 Arcadian Government 5% Bonds at 95, plus 2s. 6d. per cent. brokerage and 18s. stamps; On 30th Sept., 1912, he sold £1000 of these Bonds at 98 less £3 10s. expenses. Interest on the Bonds is payable on January 1st and July 1st in each year. Ignore all questions of Income Tax.

4. Prepare from the following particulars, as on 31st Dec., 1912, a "Statement of Affairs," in the prescribed form, to present to a meeting of the creditors of S. Brook:—Furniture & Fittings £250, valued at £100; Cash at Bank (Current A/c.) £10; Cash in hand £4; Sundry Debtors £2500 (Good £1000, Doubtful £1000, valued at £500, Bad £500, valued at nil); Bills of Exchange £300, valued at £100; Stock-in-Trade valued at £950, less 20%; Household Furniture valued at £850; Life Policy for £1500 (surrender value £550), held by the Bank as security for Loan; 500 fully paid shares of £1 each, valued at par, in the Blankshire Biograph Co., Ltd., held as security by R. Brown; Trade Creditors, unsecured £3950; Loan from Bankers £500 (secured as above); Loan from R. Brown £600 (secured as above); Rent due £150, Rates £25, Wages (preferential) £10. (*Deficiency*, £861.)

5. Briefly describe the powers possessed by the Bank of England with regard to the issue of Bank Notes. Do any other Banks possess authority to issue notes? If so, what are the restrictions (if any) as to issue? 6. Describe briefly the functions of the London Bankers' Clearing House.

7. George Smith & Sons of London have a branch at Brighton. An account is kept with a local Bank, and the Firm's branch manager, William Robinson, is authorised to sign cheques as follows:—*Per Pro* George Smith & Sons, William Robinson. Are Bankers (other than the above), or other persons receiving cheques, so signed, under any obligations with regard thereto?

8. The General Ledger of the Loamshire Bank, Ltd., contained the following balances as on 31st Dec., 1912. Explain briefly what the figures represent, and where they would appear in the B/S. of the Bank. (1) Current Accounts A/c. £12,674,491; (2) Investments A/c. £7,832,922; (3) Rebate on Bills not due £12,466; (4) Short Loans A/c. £5,432,768.

## ROYAL SOCIETY of ARTS. Accounting & Banking, 1914.

1. What are the chief differences between a B/S. prepared under the "Double Account System," and a "Single Account" B/S.? State briefly the defects of the "Double Account" method of presenting a B/S.

2. Under what Act is "Super-tax" imposed, and by whom is the tax assessed? The annual P. & L. A/cs. of the business of George MacArthur showed the following profits:—1909, £7200; 1910, £6500; 1911, £5800. These profits were arrived at prior to making any provision for depreciation, for which an allowance of £250 was made by the Surveyor in each of the above-named years. He was insured with the Universal Life Assurance Co. at an annual premium of £450. His private income consisted of:—Dividends from Investments £1200, Rents from House Property £600, and Interest on Loan on Mortgage £350. This income is stated gross in each case. Prepare George MacArthur's Return for Super-tax for the year 1913-14.

3. George Dixon, a shareholder in Rayon D'Or Ltd., had applied for, and was allotted, 200 Ordinary Shares of £1 each. He duly paid 5s. per share on application and 5s. per share on allotment, in accordance with the conditions of the issue. A call of 5s. per share was made by the Directors, and was payable on 1st Aug., 1913, but all applications for the amount due from him were ignored by George Dixon. Under the provisions of the Articles of Association, the shares were forfeited by Resolution of the Directors on 31st Dec., 1913. Give the entries, recording the above transaction, which would appear in the books and accounts of the Co.

4. Explain, briefly, the meanings of the undermentioned terms as applied to Assurance Companies:—Quinquennial Valuation, Loading, Half-credit Policy, Industrial Policy, Re-Assurances, Bonus. If any of the above items would affect the annual accounts, explain briefly where they would appear. 5. Explain and contrast the advantages and/or disadvantages of the understated crossings, as used in connection with commercial cheques:—Not Negotiable. A/c. Payee Only.

6. The understated items have been extracted from the accounts of a Bank. Explain briefly what they represent. "Liabilities of Customers on Acceptances as per contra" (Cr. side of B/S.); "Rebate on Bills not due" (Dr. side of B/S.); "Money at Call and Short Notice" (Cr. side o B/S.); "Bills Discounted" (Cr. side of B/S.).

7. Explain briefly the methods employed in order to keep the books of a Bank constantly posted. On 31st July, 1913, George Reimers paid in the following to his Bank in the City:—Cheque (Geo. Smith, London) £15; Cheque (Robt. Robinson, London) £20; Gold £10; Bank of England Notes £20. Describe the passage of the above items through the books of the Bank from the moment of their receipt until credited to the account of George Reimers. 8. What is meant by the phrase "Money is Cheap"? How does the lowering of the "Bank Rate" usually affect what are known as "Gilt-edged Securities"?

## ROYAL SOCIETY of ARTS. Accounting. (*May*, 1915.)

1. Draft three specimen clauses relating to items affecting the Accounts, which, in your opinion, should be included in a Partnership Agreement. 2. On Dec. 28, 1914, a receiving order was made against G. Kluck. Prepare a Statement of Affairs from these particulars:—Unsecured Creditors, £8000. Fully secured Creditors, £5000. Estimated value of lease of works held by secured Creditors, £6500. Cash at Bank, £120. Cash in hand, £15. Bills receivable, £400, estimated to produce £300. Book Debts: Good, £500; Doubtful, £1000; Bad, £800 (the two latter estimated to produce £700). Stock-in-Trade cost £1200, valued at £600. Furniture valued at £150. Fifty fully-paid £1 shares in Exotics, Ltd., valued at £40. Preferential Creditors, £75.

3. B. Bradley purchased a printing machine for £1000. The useful life of the machine was estimated at 10 years. Upon purchasing the machine, Bradley took out a "Pure Endowment Policy" with the Exchange Assurance Company for £1000, payable in 10 years. How would you treat the annual premiums payable under this policy; and how would the question of depreciation be affected? 4. What is meant by the term "Tabular Book-keeping?" Under what circumstances is the system advantageous? Submit the ruling of a book framed on these lines, and describe and illustrate the method of keeping

it. 5. Explain the meanings of the following terms, as used in connection with Debentures issued by a Limited Company :—(*a*) Issued at a premium, (*b*) Issued at a discount, (*c*) Redeemable at a premium, (*d*) Redeemable at par. Illustrate your answer in each case by showing how £10000 4% Debentures would appear in the Balance Sheet, if issued under the various conditions named above.

6. Prepare a statement showing the liability of W. A. Richardson to the Inland Revenue, under Income Tax Sch. D. for the year 1914-15, from the particulars, as contained in his Business P. & L. A/c.

| | 1911 | 1912 | 1913 |
|---|---|---|---|
| | £ | £ | £ |
| Trade Expenses ..... | 320 | 384 | 361 |
| Salaries ..... | 901 | 850 | 902 |
| Income,Tax, Sch.A.(Premises assessed at £480) .. | 28 | 28 | 28 |
| Bad Debts ..... | 101 | 90 | 40 |
| Charitable Gifts ..... | 50 | 40 | 50 |
| Reserve for Bad Debts... | 100 | 100 | 100 |
| Depreciation—Plant, 10% | 105 | 96 | 85 |
| „ Furniture & Fittings10% | 15 | 12 | 11 |
| Error in Books ..... | 10 | — | 5 |
| Loss on Sale of Investment | 50 | — | — |
| Net Profit ..... | 1882 | 1118 | 2573 |
| | £3562 | 2718 | 4155 |

| | 1911 | 1912 | 1913 |
|---|---|---|---|
| | £ | £ | £ |
| GrossProfit | 3480 | 2640 | 4050 |
| Discounts ... | 82 | 78 | 105 |
| | £3562 | 2718 | 4155 |

7. Why cannot a Balance Sheet have a balance ? If you saw one with "Balance carried forward," what inference would you draw ? 8. Why cannot an annual P. & L. A/c. be closed by the balance being "carried to the Balance Sheet" ? Show how this phrase, which is sometimes (incorrectly) used, should be altered, so as to properly indicate what is meant.

## ROYAL SOCIETY of ARTS. Banking. (*May*, 1915.)

1. Enumerate three circumstances under which a Banker would refuse payment of cheques drawn upon him, and state how the cheques would be marked in each case. 2. Are the undermentioned items "legal tender" in the British Isles ; and, if so, where ? (*a*) A sovereign weighing 121.5 grains, (*b*) A £5 Bank of England Note, (*c*) A £1 Country Bank Note. 3. What is meant by the term "Token Money" ? 4. Explain and compare the uses and characteristics of "Letters of Credit" and "Circular Notes." 5. Give the pro forma Balance Sheet of a Bank ; and explain the meanings of two items selected from each of its sides.

6. William May holds a three months' Bill for £100 accepted by his customer, Arthur Mayer, dated December 10, 1914. He desires to collect this Bill through his Bankers, the Blankshire Bank, Limited. Explain the procedure which should be followed by W. May, and state the entries which the Bank would make upon receipt of the Bill. Give a ruling of one of the books named by you, as employed by the Bank for the record of the above Bill. 7. A.B. paid to his London Bankers on April 15, 1915, a cheque drawn on an Edinburgh Bank, another on a Dublin Bank, a third on a Sheffield Bank, and a Banker's draft at sight on the Bank of England. How did he pay these into his Bank ? Would he be debited with any charges for collection ; and, if so, upon which cheques ? 8. On three occasions since the passing of the "Bank Act" it has been suspended. What is meant by this, and what steps were taken to get over the then existing crisis ?

## ROYAL SOCIETY of ARTS. Accounting. (*June*, 1916.)

1. What is super-tax ? Upon whom is it levied ? Is any deduction allowed for (*a*) assurance premiums, (*b*) children, (*c*) income-tax already paid in British Colonies ? Is income derived from foreign investments taken into a/c. when arriving at an assessment for super-tax purposes ? 2. The officials of Limited Companies are under obligation to file certain returns with the Registrar of Joint Stock Cos. Are any of these returns of a financial nature ? If so, briefly describe them. 3. Under what Act are the accs. of Assurance

Cos. regulated ? Explain where you would expect to find the following items in the a/cs. of a Life Assurance Co. :—(*a*) Final call upon the share cap. of the Co., £50000, (*b*) Re-assurances £12468, (*c*) Income-tax on investments, (*d*) Claims admitted but not paid. 4. Zenobia, Ltd., having made substantial profits, but needing cash, decided to pay a dividend to its shareholders in the form of fully paid shares. The balance standing to the credit of the P. & L. A/c. amounted to £10876 15s. 2d. The nominal cap. of the Co. consisted of 200,000 Ord. Shares of £1 each ; 100,000 of these shares had been issued and were fully paid. The proposed dividend was to take the form of an issue of two fully paid shares for every 25 shares held. Show the entries necessary to record these transactions in the books of the Co., assuming that no Shareholder holds less than 25 shares.

5. Rosslyn & Rubens, of London, agree to join in a speculation in tea. Profits and losses are to be shared in the proportion of two-thirds and one-third respectively. Interest is to be credited to the parties upon the cash contributed to the speculation at the rate of 5% for the duration of the venture. On 1st Jan., 1916, Rosslyn paid in £5000 to the joint banking a/c., and Rubens gave his acceptance at two months for £2000, which was discounted at 6%. Tea was purchased for cash on 3rd Jan. to the value of £5985 16s. 2d. A shipment to the value of £3862 10s. was made to New York on 5th Jan., and the charges and insce. paid thereon amounted to £362 12s. 4d. This shipment was duly sold by the American agent for £4642 8s. 7d., less charges £72 18s. 4d., and 2½% comm. A sight bill for the amt. due was recd. in London on 10th Feb. A second shipment of the bal. of the tea was made on 21st Jan., and the charges and insurance paid thereon amounted to £241 8s. 4d. The ship was torpedoed and the cargo lost. On 28th Feb. the amt. covered by the marine policy, £2000, was paid by the underwriters and the a/cs. of the venture were closed. Prepare the a/cs. necessary to show the result of the venture.

6. The Reserve Fund accumulated by Soleil d'Or, Ltd.—an Exploring Syndicate—amounted, as on 31st Dec., 1915, to £10000, and was represented by gilt-edged securities which had cost £10021 7s. 6d. The mean market price of these investments on the above date was £8989 18s. 6d. Do these facts call for any adjustments in the a/cs. of the Syndicate for the year ended 31st Dec., 1915 ? Give reasons for your answer. 7. R. Redford employs four Sales Ledgers (A, B, C & D), and desires to render each ledger self-balancing. Explain the steps it would be necessary to take in order to carry this desire into effect. 8. Laurent Carle, Ltd.—a newly formed Company—issued 50,000 Ord. Shares of £1 each and 50,000 6% Pref. Shares of £1 each. Of these, 51650 Ord. Shares were applied for, 50,000 of which were allotted ; and 48,500 Pref. Shares, all of which were allotted. Briefly describe the procedure necessary in order to carry out the issue and allotment of these shares, and give rulings of any special books or papers you would recommend. Both classes of shares were payable :—2s. 6d. per share on application, 3rd Jan., 1916 ; 5s. per share on allotment, 5th Jan., 1916 ; 12s. 6d. per share, first and final call, 31st Jan., 1916.

## ROYAL SOCIETY of ARTS. Banking. (*May*, 1916.)

1. What is the position of a Banker who pays a post-dated cheque before its due date ? 2. What attitude should a Banker adopt with regard to the following endorsements :—(*a*) An endorsement written across the face of a cheque, (*b*) A cheque payable to " John Jones or Bearer," and endorsed " James Smith," (*c*) A cheque payable to " George Sneath or Order," endorsed " George Sneeth," (*d*) An endorsement in pencil ? 3. Robert Checker was appointed Receiver and Manager for the Debenture Holders of a Limited Company in voluntary liquidation. He needed funds for the purpose of carrying on the business of the Company, with a view to its sale as a going concern, and applied to the Blankshire Bank for a loan. Describe the steps which the Bank should take before making any advance. 4. Give two alternative rulings suitable for the Current A/cs. Ledger of a Bank. From what materials are these ledgers written up ? 5. Explain the term " Gold Point."

6. If an Inland Bill of Exchange is drawn as payable to " bearer," can it be altered as payable to " order " by means of an endorsement ? 7. Describe the procedure necessary in order to note and protest a dishonoured Inland Bill of Exchange. 8. Briefly describe the influences which cause fluctuations in the rate of Exchange between two countries.

# MEMORANDUM OF ASSOCIATION

OF THE

## AFRICAN OIL COMPANY, LIMITED.

1. The name of the Company is "THE AFRICAN OIL COMPANY LIMITED."
2. The Registered Office of the Company will be situate in England
3. The objects for which the Company is established are :—

(A) To purchase, take on lease, or otherwise acquire, all real property, believed to contain petroleum or oil sources, and all wells and appliances utilised to raise petroleum in all countries, and especially rights relating to real property, land and material and appliances; and to enter into and carry into effect the agreement, draft of which is referred to in Article 2 of the Articles of Association of the Company, with such modification as may be hereafter agreed upon.

(B) To search for, to extract, and to procure in all countries, and particularly in the Orange River Colony, petroleum, and other oil products, mineral oils and matters resolved therefrom, and to treat, work, export, purchase, sell and trade in the same, and to work all factories, manufactories, refineries, distilleries, and to undertake, work and develop in all countries every description of undertakings relating to mines and materials, to seek for, to prospect, to make soundings, to explore, and to sink wells, and to purchase and otherwise acquire, work, develop, sell, dispose of, and realise all petroleum workings, concessions, and enterprises connected therewith, and undertake all commercial mining, metallurgical, and other operations relating thereto, or other business calculated to render more profitable the operations of the Company.

(C) To purchase, take on lease or in exchange, hire or otherwise acquire and hold for any estate or interest, any lands, buildings, easements, rights, privileges, concessions, machinery, patents, plant, stock-in-trade, and any real and personal property of any kind necessary or convenient for the Company's business.

(D) To erect, construct, lay down, enlarge, alter and maintain any buildings, works and machinery necessary or convenient for the Company's business.

(E) To borrow or raise or secure the payment of money for the purpose of the Company's business, and with a view thereto to mortgage and charge the undertaking and all or any of the real and personal property, present or future, and all or any of the uncalled capital for the time being of the Company, and to issue at par or at a premium or discount debentures or debenture stock, payable to bearer or otherwise and either permanent or redeemable, and collaterally or further to secure any securities of the Company by a trust deed or other assurance.

(F) To issue and deposit any securities which the Company has power to issue by way of mortgage to secure any sum less than the nominal amount of such securities and also by way of security for the performance of any contracts or obligations of the Company.

(G) To receive money on deposit or loan upon such terms as the Company may approve, and to guarantee the debts and contracts of customers and others.

(H) To make advances to customers and others with or without security, and upon such terms as the Company may approve, and generally to act as bankers for customers and others.

(I) To make, accept, endorse and execute promissory notes, bills of exchange and other negotiable instruments.

(J) To invest and deal with the moneys of the Company not immediately required upon such securities and in such manner as may from time to time be determined.

(K) To pay for any property or rights acquired by the Company, either in cash or shares, with or without preferred or deferred rights in respect of dividend or repayment of capital or otherwise, or by any securities which the Company has power to issue, or partly in one mode and partly in another, and generally to such terms as the Company may determine.

(L) To remunerate any person or company for services rendered, or to be rendered, in placing, or assisting to place, any of the shares or debenture capital or other securities of the Company, in or about the formation or promotion of the Company or the conduct of its business.

(M) To accept payment for any property or rights sold or otherwise disposed of or dealt with by the Company, either in cash, by instalments, or otherwise

or in shares of any company or corporation, with or without deferred or preferred rights in respect of dividend or repayment of capital or otherwise, or by means of a mortgage or by debentures or debenture stock of any company or corporation, or partly in one mode and partly in another, and generally on such terms as the Company may determine.

(N) To enter into partnership or any arrangement for sharing profits, union of interests or co-operation with any company, firm or person carrying on, or proposing to carry on, any business within the objects of this Company, and to acquire and hold shares, stock or securities of any such company.

(O) To establish or promote, or concur in establishing or promoting, any other company whose objects shall include the acquisition and taking over of all or any of the assets and liabilities of or shall be in any manner calculated to advance directly or indirectly the objects or interests of this Company, and to acquire and hold shares, stocks or securities of and guarantee the payment of any securities issued by or any other obligation of any such company.

(P) To purchase or otherwise acquire and undertake all or any part of the business, property and transactions of any person or company carrying on any business which this company is authorised to carry on, or possessed of property suitable for the purposes of this Company.

(Q) To sell, improve, manage, develop, turn to account, exchange, let on rent, royalty, share of profits or otherwise, grant licenses, easements and other rights in respect of, and in any other manner deal with or dispose of the undertaking of the Comapny or any part thereof, or all or any of the property for the time being of the Company, and for any consideration, whether in cash or in shares (fully or partly paid), debentures, debenture stock, or other interests in or securities of any company or otherwise.

(R) To amalgamate with any other company whose objects are or include objects similar to those of this Company, whether by sale or purchase (for fully or partly paid shares or otherwise) of the undertaking, subject to the liabilities of this or any such other company as aforesaid with or without winding up or by purchase (for fully or partly paid shares or otherwise) of all the shares or stock of any such other company or in any other manner.

(S) To distribute among the members in specie any property of the Company.

(T) To procure the Company to be registered or recognised in any Colony or Dependency, and in any foreign country or place.

(U) To do all or any of the above things in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees or otherwise, and to do all such other things as are incidental to or conducive to the above objects or any of them.

(4) The liability of the members is limited.

(5) The share capital of the Company is £100,000 divided into 100,000 ordinary shares of £1 each

WE, the several persons whose Names and Addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the Capital of the Company set opposite our respective names

| NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS. | Number of Ordinary Shares taken by each Subscriber. |
|---|---|
| G. T. PRETYMAN, Barrow Lodge, Bury St. Edmunds, Major-General. | 250 |
| LEWIS LEVY, Borden Hall, Kent, Barrister-at-Law. | 250 |
| W. MAITLAND EDWARDS, 20, Copthall Avenue, E.C., Merchant. | 250 |
| H. PYNEGAR, 5, Dowgate Hill, E.C. Engineer. | 250 |
| NEIL MACKINNON, 5, Dowgate Hill, E.C., Engineer. | 250 |
| FRANK SMITH, 1, Drapers Gardens, E.C., Member Stock Ex. | 250 |
| J. LEWIS LEWIS, Twyfordbury, Beckenham, Kent, no occupation. | 250 |

Dated this 27th day of April, 1910.

Witness to the above Signatures—

SYDNEY THOMPSON,
3 East India Avenue, London, E.C.,
Solicitor.

# TABLE A:

*Being the Statutory Regulations for the Management of Companies Limited by Shares and Registered without Special Articles comprised in the First Schedule to the Companies (Consolidation) Act,* 1908.

---

**1. Preliminary.** In these regulations, unless the context otherwise requires, expressions defined in the Companies (Consolidation) Act, 1908, or any statutory modifications thereof in force at the date at which these Regulations become binding on the Company, shall have the meanings so defined; and words importing the singular shall include the plural, and *vice versâ*, and words importing the masculine gender shall include females, and words importing persons shall include bodies corporate.

**2. Business.** The directors shall have regard to the restrictions on the commencement of business imposed by Section 87 of The Companies (Consolidation) Act, 1908, if, and so far as, those restrictions are binding upon the Company.

**3. Shares.** Subject to the provisions, if any, in that behalf of the Memorandum of Association of the Company, and without prejudice to any special right previously conferred on the holders of existing Shares in the Company, any Share in the Company may be issued with such preferred, deferred, or other special rights, or such restrictions, whether in regard to Dividend, voting, return of Share Capital or otherwise, as the Company may from time to time by Special Resolution determine.

**4.** If at any time the Share Capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied with the consent in writing of the holders of three-fourths of the issued Shares of that class, or with the sanction of an Extraordinary Resolution passed at a separate General Meeting of the holders of the Shares of the class. To every such separate General Meeting the provisions of these Regulations relating to General Meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued Shares of the class.

**5.** No Share shall be offered to the public for subscription except upon the terms that the amount payable on application shall be at least Five per cent. of the nominal amount of the Share: and the Directors shall, as regards any allotment of Shares, duly comply with such of the provisions of Sections 85 and 88 of The Companies (Consolidation) Act, 1908, as may be applicable thereto.

**6.** Every person whose name is entered as a Member in the Register of Members shall, without payment, be entitled to a

Certificate under the Common Seal of the Company specifying the Share or Shares held by him and the amount paid up thereon, provided that in respect of a Share or Shares held jointly by several persons the Company shall not be bound to issue more than one Certificate and delivery of a Certificate for a Share to one of several joint holders shall be sufficient delivery to all.

**7.** If a share Certificate is defaced, lost or destroyed, it may be renewed on payment of such fee, if any, not exceeding One Shilling, and on such terms, if any, as to evidence and indemnity as the Directors think fit.

**8.** No part of the funds of the Company shall be employed in the purchase of, or in loans upon the security of, the Company's Shares.

**9. Lien.** The Company shall have a lien on every Share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that Share, and the Company shall also have a lien on all Shares (other than fully paid Shares) standing registered in the name of a single person for all moneys presently payable by him or his estate to the Company; but the Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Clause. The Company's lien, if any, on a Share shall extend to all Dividends payable thereon.

**10.** The Company may sell, in such manner as the Directors think fit, any Shares on which the Company has a lien, but no sales shall be made unless some sum in respect of which the lien exists, is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the Share, or the person entitled by reason of his death or bankruptcy to the Share.

**11.** The proceeds of the sale shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the Shares prior to the sale) be paid to the person entitled to the Shares at the date of sale. The purchaser shall be registered as the holder of Shares, and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

**12. Calls on Shares.** The Directors may from time to time make Calls upon the Members in respect of any moneys unpaid on their Shares, provided that no Call shall exceed one-fourth of the nominal amount of the Share, or be payable at less than one month from the last Call; and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on his Shares.

**13.** The joint holders of a Share shall be jointly and severally liable to pay all Calls in respect thereof.

**14.** If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of Five Pounds per cent. per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.

**15.** The provisions of these Regulations as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had become payable by virtue of a Call duly made and notified.

**16.** The Directors may make arrangements on the issue of Shares for a difference between the holders in the amount of Calls to be paid and in the times of payment.

**17.** The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him; and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding, without the sanction of the Company in General Meeting, Six per cent.) as may be agreed upon between the Member paying the sum in advance and the Directors.

**18. Transfer and Transmission of Shares.** The instrument of transfer of any share in the Company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain a holder of the Share until the name of the transferee is entered in the Register of Members in respect thereof.

**19.** Shares in the Company shall be transferred in the following form, or in any usual or common form which the Directors shall approve.

> I, *A.B.* of in consideration of the sum of Pounds paid to me by *C.D.* of hereinafter called "the said transferee" do hereby transfer to the said transferee the Share [*or* Shares] numbered in the undertaking called the COMPANY, LIMITED, to hold unto the said transferee, his executors, administrators, and assigns, subject to the several conditions on which I held the same at the time of the execution thereof; and I, the said transferee, do hereby agree to take the said Share [*or* Shares] subject to the conditions aforesaid.
>
> As witness our hands the day of
>
> Witness to the signature of, &c.

**20.** The Directors may decline to register any transfer of Shares, not being fully paid Shares, to a person of whom they do not approve, and may also decline to register any transfer

of Shares on which the Company has a lien. The Directors may also suspend the registration of transfers during the fourteen days immediately preceding the Ordinary General Meeting in each year. The Directors may decline to recognise any instrument of transfer unless (*a*) a fee not exceeding Two Shillings and Sixpence is paid to the Company in respect thereof, and (*b*) the instrument of transfer is accompanied by the Certificate of the Shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

**21.** The executors or administrators of a deceased sole holder of a Share shall be the only persons recognised by the Company as having any title to the Share. In the case of a Share registered in the names of two or more holders, the survivors or survivor, or the executors or administrators of the deceased survivor, shall be the only persons recognised by the Company as having any title to the Share.

**22.** Any person becoming entitled to a Share in consequence of the death or bankruptcy of a Member shall, upon such evidence being produced as may from time to time be required by the Directors, have the right, either to be registered as a Member in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt person could have made ; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt person before the death or bankruptcy.

**23.** A person becoming entitled to a Share by reason of the death or bankruptcy of the holder shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of the Share, except that he shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by Membership in relation to Meetings of the Company.

**24. Forfeiture of Shares.** If a Member fails to pay any Call or instalment of a Call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such Call or instalment remains unpaid, serve a notice on him requiring payment of so much of the Call or instalment as is unpaid, together with any interest which may have accrued.

**25.** The notice shall name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Shares in respect of which the Call was made will be liable to be forfeited.

26. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect.

27. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

28. A person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the Shares, but his liability shall cease if and when the Company receive payment in full of the nominal amount of the Shares.

29. A statutory declaration in writing that the declarant is a Director of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share, and that declaration, and the receipt of the Company for the consideration, if any, given for the Share on the sale or disposition thereof shall constitute a good title to the Share, and the person to whom the share is sold or disposed of shall be registered as the holder of the Share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

30. The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a Call duly made and notified.

31. **Conversion of Shares into Stock.** The Directors may, with the sanction of the Company previously given in General Meeting, convert any paid-up Shares into Stock, and may with the like sanction reconvert any Stock into paid-up Shares of any denomination.

32. The holders of Stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations, as, and subject to which, the Shares from which the Stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum amount of Stock transferable, and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the Shares from which the Stock arose.

**33.** The holders of Stock shall, according to the amount of the Stock held by them, have the same rights, privileges, and advantages as regards Dividends, voting at Meetings of the Company, and other matters as if they held the Shares from which the Stock arose, but no such privilege or advantage (except participation in the Dividends and profits of the Company) shall be conferred by any such aliquot part of Stock as would not, if existing in Shares, have conferred that privilege or advantage.

**34.** Such of the regulations of the Company (other than those relating to Share Warrants) as are applicable to paid-up Shares shall apply to Stock, and the words "Share" and "Shareholder" therein shall include "Stock" and "Stock-holder."

**35. Share Warrants.** The Company may issue Share Warrants, and accordingly the Directors may in their discretion, with respect to any Share which is fully paid up, on application in writing signed by the person registered as holder of the Share, and authenticated by such evidence, if any, as the Directors may from time to time require as to the identity of the person signing the request, and on receiving the Certificate, if any, of the Share, and the amount of the stamp duty on the Warrant, and such fee as the Directors may from time to time require, issue under the Company's Seal a Warrant, duly stamped, stating that the Bearer of the Warrant is entitled to the Shares therein specified, and may provide by Coupons, or otherwise for the payment of Dividends, or other moneys, on the Shares included in the Warrant.

**36.** A Share Warrant shall entitle the Bearer of the Shares included in it, and the Shares shall be transferred by the delivery of the Share Warrant, and the provisions of the regulations of the Company with respect to transfer and transmission of Shares shall not apply thereto.

**37.** The Bearer of a Share Warrant shall, on surrender of the Warrant to the Company for cancellation, and on payment of such sum as the Directors may from time to time prescribe, be entitled to have his name entered as a Member in the Register of Members in respect of the Shares included in the Warrant.

**38.** The Bearer of a Share Warrant may at any time deposit the Warrant at the Office of the Company, and so long as the Warrant remains so deposited the depositor shall have the same right of signing a requisition for calling a Meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any Meeting held after the expiration of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Shares included in the deposited Warrant. Not more than one person shall be recognised as depositor of the Share Warrant. The Company shall, on two days' written notice, return the deposited Share Warrant to the depositor.

**39.** Subject as herein otherwise expressly provided, no person shall, as Bearer of a Share Warrant, sign a requisition for calling a Meeting of the Company, or attend, or vote, or exercise any other privilege of a Member at a Meeting of the Company, or be entitled to receive any notices from the Company; but the Bearer of a Share Warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Shares included in the Warrant, and he shall be a Member of the Company.

**40.** The Directors may from time to time make rules as to the terms on which (if they shall think fit) a new Share Warrant or Coupon may be issued by way of renewal in case of defacement, loss or destruction.

**41. Alteration of Capital.** The Directors may, with the sanction of an Extraordinary Resolution of the Company, increase the Share Capital by such sum, to be divided into Shares of such amount, as the Resolution shall prescribe.

**42.** Subject to any direction to the contrary that may be given by the Resolution sanctioning the increase of Share Capital, all new Shares shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares to which they are entitled. The offer shall be made by notice specifying the number of Shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new Shares which (by reason of the ratio which the new Shares bear to Shares held by persons entitled to an offer of new Shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.

**43.** The new Shares shall be subject to the same provisions with reference to the payment of Calls, lien, transfer, transmission, forfeiture, and otherwise as the Shares in the original Share Capital.

**44.** The Company may, by Special Resolution (*a*) Consolidate and divide its Share Capital into Shares of larger amount than its existing Shares; (*b*) By sub-division of its existing Shares, or any of them, divide the whole, or any part, of its Share Capital into Shares of smaller amount than is fixed by the Memorandum of Association, subject, nevertheless, to the provisions of Paragraph (*d*) of Sub-section (1) of Section 41 of The Companies (Consolidation) Act, 1908; (*c*) Cancel any Shares which, at the date of the passing of the Resolution, have not been taken or agreed to be taken by any person; (*d*)

Reduce its Share Capital in any manner and with, and subject to, any incident authorised, and consent required, by law.

**45. General Meetings.** The Statutory General Meeting of the Company shall be held within the period required by Section 65 of The Companies (Consolidation) Act, 1908.

**46.** A General Meeting shall be held once in every year at such time (not being more than fifteen months after the holding of the last preceding General Meeting) and place as may be prescribed by the Company in General Meeting, or in default, at such time in the month following that in which the anniversary of the Company's incorporation occurs, and at such place, as the Directors shall appoint. In default of a General Meeting being so held, a General Meeting shall be held in the month next following, and may be convened by any two Members in the same manner as nearly as possible as that in which Meetings are to be convened by the Directors.

**47.** The above-mentioned General Meetings shall be called Ordinary Meetings; all other General Meetings shall be called Extraordinary.

**48.** The Directors may, whenever they think fit, convene an Extraordinary General Meeting, and Extraordinary General Meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists, as provided by Section 66 of The Companies (Consolidation) Act, 1908. If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, any Director or any two Members of the Company may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which Meetings may be convened by the Directors.

**49. Proceedings at General Meeting.** Seven days' notice at the least (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given) specifying the place, the day, and the hour of meeting and, in case of special business, the general nature of that business shall be given in manner hereinafter mentioned, or in such manner, if any, as may be prescribed by the Company in General Meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from the Company; but the non-receipt of the notice by any Member shall not invalidate the proceedings at any General Meeting.

**50.** All business shall be deemed special that is transacted at an Extraordinary Meeting, and all that is transacted at an Ordinary Meeting, with the exception of sanctioning a Dividend, the consideration of the accounts, balance sheets, and the ordinary report of the Directors and Auditors, the election of Directors and other officers in the place of those retiring by rotation, and the fixing of the remuneration of the Auditors.

**51.** No business shall be transacted at any General Meeting unless a quorum of Members is present at the time when the

Meeting proceeds to business ; save as herein otherwise provided, three Members personally present shall be a quorum.

52. If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting, if convened upon the requisition of Members, shall be dissolved ; in any other case it shall stand adjourned to the same day in the next week, at the same time and place, and, if at the adjourned Meeting a quorum is not present within half an hour from the time appointed for the Meeting the Members present shall be a quorum.

53. The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company.

54. If there is no such Chairman, or if at any Meeting he is not present within 15 minutes after the time appointed for holding the Meeting or is unwilling to act as Chairman, the Members present shall choose some one of their number to be Chairman.

55. The Chairman may, with the Consent of any Meeting at which a quorum is present (and shall if so directed by the Meeting), adjourn the Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place. When a Meeting is adjourned for 10 days or more, notice of the adjourned Meeting shall be given as in the case of an original Meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at the adjourned Meeting.

56. At any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least three Members, and, unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Book of the Proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

57. If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

58. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

59. A poll demanded on the election of a Chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the Meeting directs.

**60. Votes of Members.** On a show of hands every Member present in person shall have one vote. On a poll every Member shall have one vote for each Share of which he is the holder.

**61.** In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the name stands in the Register of Members.

**62.** A Member of unsound mind, or in respect of whom an order has been made in any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, *curator bonis*, or other person in the nature of a committee, or *curator bonis* appointed by that Court, and any such committee, *curator bonis*, or other person may, on a poll, vote by proxy.

**63.** No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of Shares in the Company have been paid.

**64.** On a poll votes may be given either personally or by proxy.

**65.** The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under the Common Seal, or under the hand of an officer or attorney so authorised. No person shall act as a proxy unless either he is entitled on his own behalf to be present and vote at the Meeting at which he acts as proxy, or he has been appointed to act at that Meeting as proxy for a corporation.

**66.** The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company not less than forty-eight hours before the time for holding the Meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

**67.** An instrument appointing a proxy may be in the following form, or in any form which the Directors shall approve :—

"I , of , in the County of , being a Member of the COMPANY, LIMITED, hereby appoint , of , as my proxy to vote for me and on my behalf at the [Ordinary *or* Extraordinary, *as the case may be*] General Meeting of the Company to be held on the day of , and at any adjournment thereof."

Signed this day of .

**68. Directors.** The number of the Directors and the names of the first Directors shall be determined in writing by a majority of the Subscribers of the Memorandum of Association.

69. The remuneration of the Directors shall from time to time be determined by the Company in General Meeting.

70. The qualification of a Director shall be the holding of at least One Share in the Company, and it shall be his duty to comply with the provisions of Section 73 of The Companies (Consolidation) Act, 1908.

71. **Powers and Duties of Directors.** The business of the Company shall be managed by the Directors, who may pay all expenses incurred in getting up and registering the Company, and may exercise all such powers of the Company as are not, by The Companies (Consolidation) Act, 1908, or any statutory modification thereof for the time being in force, or by these Articles, required to be exercised by the Company in General Meeting, subject nevertheless to any regulation of these Articles, to the provisions of the said Act, and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting; but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

72. The Directors may from time to time appoint one or more of their body to the office of Managing Director or Manager for such term, and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way and partly in another) as they may think fit, and a Director so appointed shall not, while holding that office, be subject to retirement by rotation, or taken into account in determining the rotation of retirement of Directors; but his appointment shall be subject to determination *ipso facto* if he ceases from any cause to be a Director, or if the Company in General Meeting resolve that his tenure of the office of Managing Director or Manager be determined.

73. The amount for the time being remaining undischarged of moneys borrowed or raised by the Directors for the purposes of the Company (otherwise than by the issue of Share Capital) shall not at any time exceed the issued Share Capital of the Company without the sanction of the Company in General Meeting.

74. The Directors shall duly comply with the provisions of The Companies (Consolidation) Act, 1908, or any statutory modification thereof for the time being in force, and in particular with the provisions in regard to the registration of the particulars of mortgages and charges affecting the property of the Company, or created by it, and to keeping a Register of the Directors, and to sending to the Registrar of Companies an annual list of Members, and a summary of particulars relating thereto, and notice of any consolidation or increase of Share Capital, or conversion of Shares into Stock, and copies of Special Resolution, and a copy of the Register of Directors and notifications of any changes therein.

**75.** The Directors shall cause Minutes to be made in books provided for the purpose :—(*a*) Of all appointments of officers made by the Directors ; (*b*) Of the names of the Directors present at each Meeting of the Directors, and of any Committee of the Directors ; (*c*) Of all resolutions and proceedings at all Meetings of the Company, and of the Directors, and of Committees of Directors ; and every Director present at any Meeting of Directors or Committee of Directors shall sign his name in a book to be kept for that purpose.

**76. The Seal.** The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors, and in the presence of at least two Directors and of the Secretary or such other person as the Directors may appoint for the purpose ; and those two Directors and Secretary or other person as aforesaid shall sign every instrument to which the seal of the Company is so affixed in their presence.

**77. Disqualifications of Directors.** The office of Director shall be vacated, if the Director—(*a*) Ceases to be a Director by virtue of Section 73 of The Companies (Consolidation) Act, 1908 ; or (*b*) Holds any other office of profit under the Company except that of Managing Director or Manager ; or (*c*) Becomes bankrupt ; or (*d*) Is found lunatic or becomes of unsound mind ; or (*e*) Is concerned or participates in the profits of any contract with the Company : Provided, however, that no Director shall vacate his office by reason of his being a Member of any Company which has entered into contracts with or done any work for the Company of which he is a Director ; but a Director shall not vote in respect of any such contract or work and if he does so vote his vote shall not be counted.

**78. Rotation of Directors.** At the first Ordinary Meeting of the Company the whole of the Directors shall retire from office, and at the Ordinary Meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office.

**79.** The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

**80.** A retiring Director shall be eligible for re-election.

**81.** The Company at the General Meeting at which a Director retires in manner aforesaid may fill up the vacant office by electing a person thereto.

**82.** If at any Meeting at which an election of Directors ought to take place the places of the vacating Directors are not filled up, the Meeting shall stand adjourned till the same day in the next week at the same time and place, and, if at the adjourned Meeting the places of the vacating Directors are

not filled up, the vacating Directors, or such of them as have not had their places filled up, shall be deemed to have been re-elected at the adjourned Meeting.

**83.** The Company may from time to time in General Meeting increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to go out of office.

**84.** Any casual vacancy occurring in the Board of Directors may be filled up by the Directors, but the person so chosen shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

**85.** The Directors shall have power at any time, and from time to time, to appoint a person as an additional Director who shall retire from office at the next following Ordinary General Meeting, but shall be eligible for election by the Company at that Meeting as an additional Director.

**86.** The Company may by Extraordinary Resolution remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected Director.

**87. Proceedings of Directors.** The Directors may meet together for the dispatch of business, adjourn, and otherwise regulate their Meetings as they think fit. Questions arising at any Meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a Meeting of Directors.

**88.** The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall (when the number of Directors exceeds three) be three.

**89.** The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the regulations of the Company as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting of the Company, but for no other purpose.

**90.** The Directors may elect a Chairman of their Meetings and determine the period for which he is to hold office; but, if no such Chairman is elected, or if at any Meeting the Chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the Meeting.

**91.** The Directors may delegate any of their powers to Committees consisting of such Member or Members of their body as they think fit; any Committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors.

**92.** A Committee may elect a Chairman of their Meetings; if no such Chairman is elected, or if at any Meeting the Chairman is not present within five minutes after the time appointed for holding the same, the Members present may choose one of their number to be Chairman of the Meeting.

**93.** A Committee may meet and adjourn as they think proper. Questions arising at any Meeting shall be determined by a majority of votes of the Members present, and in case of an equality of votes the Chairman shall have a second or casting vote.

**94.** All acts done by any Meeting of the Directors or of a Committee of Directors or by any person acting as a Director, shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

**95. Dividends and Reserve.** The Company in General Meeting may declare Dividends, but no Dividend shall exceed the amount recommended by the Directors.

**96.** The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company. –

**97.** No dividend shall be paid otherwise than out of profits.

**98.** Subject to the rights of persons, if any, entitled to Shares with special rights as to Dividends, all Dividends shall be declared and paid according to the amounts paid on the Shares, but if and so long as nothing is paid up on any of the Shares in the Company Dividends may be declared and paid according to the amounts of the Shares. No amount paid on a Share in advance of Calls shall, while carrying interest, be treated for the purpose of this Article as paid on the Share.

**99.** The Directors may, before recommending any Dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for equalising Dividends, or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

**100.** If several persons are registered as joint holders of any Share any one of them may give effectual receipts for any Dividend payable on the Shares.

**101.** Notice of any Dividend that may have been declared shall be given in manner hereinafter mentioned to the persons entitled to share therein.

**102.** No Dividend shall bear interest against the Company.

**103. Accounts.** The Directors shall cause true accounts to be kept—Of the sums of money received and expended by the Company and the matter in respect of which such receipt and expenditure takes place; and of the assets and liabilities of the Company.

**104.** The Books of Account shall be kept at the Registered Office of the Company, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

**105.** The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in General Meeting.

**106.** Once at least in every year the Directors shall lay before the Company in General Meeting a profit and loss account for the period since the preceding account or (in the case of the first account) since the incorporation of the Company, made up to a date not more than six months before such Meeting.

**107.** A balance sheet shall be made out in every year and laid before the Company in General Meeting made up to a date not more than six months before such Meeting. The balance sheet shall be accompanied by a report of the Directors as to the state of the Company's affairs, and the amount which they recommend to be paid by way of Dividend, and the amount, if any, which they propose to carry to a Reserve Fund.

**108.** A copy of the balance sheet and report shall, seven days previously to the Meeting, be sent to the persons entitled to receive notices of General Meetings in the manner in which notices are to be given hereunder.

**109. Audit.** Auditors shall be appointed and their duties regulated in accordance with Sections 112 and 113 of The Companies (Consolidation) Act, 1908, or any statutory modification thereof for the time being in force.

**110. Notices.** A notice may be given by the Company to any Member either personally or by sending it by post to him

to his registered address, or (if he has no registered address in the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the Company for the giving of notices to him. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and unless the contrary is proved to have been effected at the time at which the letter would be delivered in the ordinary course of post.

**111.** If a Member has no registered address in the United Kingdom, and has not supplied to the Company an address within the United Kingdom for the giving of notices to him, a notice addressed to him and advertised in a newspaper circulated in the neighbourhood of the Registered Office of the Company, shall be deemed to be duly given to him on the day on which the advertisement appears.

**112.** A notice may be given by the Company to the joint holders of a Share by giving the notice to the joint holder named first in the Register in respect of the Share.

**113.** A notice may be given by the Company to the persons entitled to a Share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, in the United Kingdom supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

**114.** Notice of every General Meeting shall be given in some manner hereinbefore authorised to (*a*) every Member of the Company (including Bearers of Share Warrants) except those Members who (having no registered address within the United Kingdom) have not supplied to the Company an address within the United Kingdom for the giving of notices to them, and also to (*b*) every person entitled to a Share in consequence of the death or bankruptcy of a Member, who, but for his death or bankruptcy, would be entitled to receive notice of the Meeting. No other persons shall be entitled to receive notices of General Meetings.

# PUBLISHED ACCOUNTS.

**400.** The **Accounts** and **Balance Sheet** of an ordinary Limited Company, not governed by such special or general acts as those referred to in the chapters on the Double Account System and Insurance A/cs., are *not* dealt with by the Companies (Consolidation) Act, 1908, but the **Articles** almost invariably deal with them, or the provisions of Table A apply unless excluded. While the **Act** itself does *not* require the preparation or submission to the members of any Balance Sheet, Profit & Loss A/c., or Report, it nevertheless presumes their preparation by prescribing that the **Auditors** shall make a **Report** upon every Balance Sheet laid before the Company in General Meeting, and that such Balance Sheet shall be signed by two directors.

**401.** The Act further requires that every Company (not being a Private Company) shall **file** with its **Annual Summary** a statement in the form of a **Balance Sheet**, containing a summary of its Share Capital, its Liabilities, and its Assets, giving such particulars as will disclose the general nature of those Liabilities and Assets, and how the values of the fixed assets have been arrived at, but the Balance Sheet need not include a Statement of Profit & Loss. The Balance Sheet must contain a statement of the commission paid on the issue of any Shares or Debentures or the discount allowed on any Debentures, so far as the same has not been written off, and this must be repeated until the whole amount is written off. Page 2 of the Summary ("Form E," see page 429) is reserved for the Balance Sheet, the heading and ruling being as follows :—

**Page 2 of Annual Return.**

**STATEMENT** in the form of a Balance Sheet made up to the 20th day of March, 1914, containing the Particulars of the Capital, Liabilities, and Assets of the Company.

| Capital and Liabilities. | Assets. |
|---|---|
| *This represents page 2 of the Balance Sheet of Nicotine, particulars given on page 469.* | *the "Annual Return" on which Ltd., would be copied from the* |

**402.** Unless excluded by *special* **Articles** of Association, **Table A.** provides that once at least in every year the Directors shall lay before the Company in General Meeting a **Profit & Loss A/c.** for the period since the preceding account, or (in the case of the first account) since the incorporation of the Company, made up to a date not more than six months before such

Meeting. It also provides that a **Balance Sheet** shall be made out and laid before the Company in General Meeting, and shall be accompanied by a Report of the Directors as to the state of the Company's affairs, the amount which they recommend to be paid by way of dividend, and the amount, if any, which they propose to carry to a Reserve Fund. A copy of the Balance Sheet and Report shall, seven days previously to the meeting, be sent to the persons entitled thereto.

**403.** While most Accounts are **published annually,** those of **Banking Companies** are prepared half-yearly. The Companies Act provides that every **Limited Banking Company** shall, before it commences business, and also on the first Monday in February and the first Tuesday in August in every year, during which it carries on business, make a Statement in the form provided by the Act, a copy of which shall be put up in a conspicuous place in the Registered Office of the Company, and in every Branch Office.

**404.** One of the principal features of the following collections of **Published Accounts** is the lack of uniformity in their presentation. Beyond the requirements of Banks referred to in the last paragraph, the Directors are only bound by the Articles of Association in the preparation of the accounts. It will be noticed that the information contained in some of them is of the most meagre description, the value of the Assets being stated in a lump sum, while in other cases many details are given. As to the order in which the Liabilities and Assets are stated there is no law whatever, and the practice of the best accountants varies in many respects.

**405.** Every Company limited by shares must, within a period of not less than one month, nor more than three months, from the date at which it is entitled to commence business, hold a **General Meeting** of its Members, which is described as the **Statutory Meeting.** In the case of a **Public Company** there must be forwarded to every member and debenture holder, at least seven days before the Meeting, the **Statutory Report,** containing (*a*) particulars as to the shares allotted, (*b*) the amount of cash received; (*c*) an abstract of the receipts and payments of the Company, (*d*) a list of the Directors and Officers, (*e*) particulars of the modification of any contract. A **specimen** of a **Statutory Report** is given on the next page, a copy of which, impressed with a 5/- fee stamp, must be filed with the Registrar. If default is made in filing the Report or holding the Statutory Meeting, any shareholder may, at the expiration of 14 days after the last day on which the Meeting ought to have been held, petition the Court for the winding up of the Company. The Court, on the hearing of the petition, may either direct the Company to be wound up, or direct the Report to be filed or a meeting to be held, or make such other order as may be just, and may order the persons in default to pay the costs of the petition.

No. of Certificate 107989.

THE COMPANIES (CONSOLIDATION) ACT, 1908.

**The Diamantino Rubber Plantations, Limited.**

NOTICE IS HEREBY GIVEN that the Statutory General Meeting of the Diamantino Rubber Plantations, Limited, will be held at Winchester House, Old Broad Street, in the City of London, E.C., on Tuesday, the 7th day of June, 1910, at 12-30 o'clock p.m.

By Order of the Board,

BOUSTEAD, ANDERSON & CO.
*Secretaries.*

27*th May*, 1910.

**Report of the Directors.**

*Pursuant to Section 65 of the Companies (Consolidation) Act*, 1908.

The Directors report to the Members as follows :—

1.—The total number of Shares allotted is 974,900 of 2s. each, of which 250,000 has been issued as fully paid up in part consideration of the Purchase Price and 724,900 has been issued for cash.

2.—The total amount of Cash received by the Company in respect of the 724,900 Shares issued wholly for Cash is £48,353 17s. 6d.

3.—The Receipts and Payments of the Company on Capital A/c. and otherwise to the 24th day of May, 1910, are as follows :

| Receipts. | | | | Payments. | | | |
|---|---|---|---|---|---|---|---|
| Amount due in respect of 724900 Shares ..... | £72490 | - | - | Purchase consideration paid to vendors in cash | £30000 | - | - |
| *Less* Calls unpaid ..... | 24136 | 2 | 6 | Payments to Underwriters and Brokers ..... | 4226 | 4 | 4 |
| | | | | Preliminary Expenses ... | 3000 | - | - |
| | | | | Legal & Transfer Exs.... | 2800 | - | - |
| | | | | Remittance to Manager | 3000 | - | - |
| | | | | Cables, Postages, Salaries, &c. ..... | 515 | 4 | 6 |
| | | | | Bal. of Cash in Bank .... | 4812 | 8 | 8 |
| | £48353 | 17 | 6 | | £48353 | 17 | 6 |

4.—The amount of the Preliminary Expenses paid by the Company as per Prospectus was £3000.

5.—The following are the Names, Addresses, and Descriptions of the Directors, Auditors, Manager, and Secretaries of the Company.

**Directors.**

L. T. BOUSTEAD, The Ivy House, Nutfield, Redhill, Surrey.
FREDERICK DAVIES, 21 Mincing Lane, E.C.
T. P. W. FORRESTER, 86 Leadenhall Street, E.C.

**Auditors.**

DELOITTE, PLENDER, GRIFFITHS & CO., 5 London Wall Buildings, London, E.C., Chartered Accountants.

**Manager.**—T. H. WHITE, Para.

**Secretaries and Offices—**

BOUSTEAD, ANDERSON & CO., 30 Mincing Lane, E.C.

We hereby certify this report. L. T. BOUSTEAD, FREDK. DAVIES, } *Directors.*

AUDITOR'S REPORT.

We hereby certify that so much of this Report as relates to the Shares allotted by the Company, and to the Cash received in respect of such Shares, and to the Receipts and Payments of the Company on Capital Account and otherwise, is correct.

DELOITTE, PLENDER, GRIFFITHS & CO., Chartered Accountants. } *Auditors*

Wall Buildings, London, E.C.
*24th May, 1910.*

# WESTWOOD SPINNING CO., LTD.

## Dr. Trade Account. Cr.

| 1905 | | £ s. d. | 1905 | | £ s. d. |
|---|---|---|---|---|---|
| Dec. 30 | To Stock as per last account | 5745 - 7 | Dec. 30 | By Estimated Accounts owing | 259 14 6 |
| | ,, Yarn & Waste Balances | 1283 14 7 | 1906 | | |
| 1906 | | | June 30 | ,, Cash for Yarn and Waste | 33740 13 7 |
| June 30 | ,, Taxes, Rates, &c., brought forward | 150 10 10 | | ,, Amount owing for ditto (net) | 1642 17 1 |
| | ,, Cash for Cotton | 25799 6 7 | | ,, Insurance, Rates, & Taxes charged forward | 480 11 7 |
| | ,, Expenditure as per Cash Account | 6141 4 4 | | ,, Transfers | 1 10 6 |
| | ,, Estimated Accounts owing | 217 5 8 | | ,, Stock as per Stock Book | 6239 5 - |
| | ,, Bank Commission, Interest, &c. | 35 9 3 | | | |
| | ,, Depreciation | 1000 - - | | | |
| | ,, Loan Interest | 189 16 10 | | | |
| | ,, Balance (Profit) | 1802 3 7 | | | |
| | £ | 42364 12 3 | | £ | 42364 12 3 |

## Dr. Profit & Loss Account. Cr.

| 1905 | | £ s. d. | 1905 | | £ s. d. |
|---|---|---|---|---|---|
| Dec. 30 | To Dividends | 600 - - | Dec. 30 | By Balance from last Account | 1235 8 3 |
| 1906 | | | 1906 | | |
| Mar. 31 | ,, Dividend (Interim) | 600 - - | June 30 | ,, Balance, Trade Account | 1802 3 7 |
| June 30 | ,, Reserve Fund | 1000 - - | | | |
| | ,, Disposable Balance | 837 11 10 | | | |
| | £ | 3037 11 10 | | £ | 3037 11 10 |

## Balance Sheet, 30th June, 1906.

| Liabilities. | £ s. d. | Assets. | £ s. d. |
|---|---|---|---|
| Shareholders' Claims | 24000 - - | Fixed Stock—present value | 30339 19 1 |
| Loan | 8447 12 1 | Stock-in-Trade | 6239 5 - |
| Trade Accounts owing | 217 5 8 | Yarn and Waste Balances | 1642 17 1 |
| Undrawn Dividends | 52 3 9 | Insurances, &c., charged forward | 480 11 7 |
| Owing to Bank | 171 6 1 | Cash in hand | 23 6 8 |
| Profit & Loss | 837 11 10 | | |
| Reserve Fund | 5000 - - | | |
| £ | 38725 19 5 | £ | 38725 19 5 |

# THE ASSOCIATED GOLD MINES OF WESTERN AUSTRALIA, LIMITED.

## Dr. Mine Working Account for the year ending 31st March, 1909. Cr.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| To Ore Extraction | | £48259 | 2 | 9 | By Bullion Account | £262397 | 4 2 |
| ,, Ore Milling | | 73528 | 5 | 10 | ,, Interest on Deposit with Railway Commissioners | 15 | - - |
| ,, Bullion Expenses | | 1420 | 10 | 8 | ,, Kalgoorlie and Boulder Mines Water Trust – Dividend | 162 | 15 7 |
| ,, General Expenses at Mine | | 5632 | 11 | - | ,, Adelaide Lease—Receipts in Excess of Expenditure | 140 | 6 - |
| ,, Balance carried to Profit & Loss | | 133824 | 15 | 6 | | | |
| | £262715 | 5 | 9 | | £262715 | 5 | 9 |

## Dr. Profit and Loss Account for the year ending 31st March, 1909. Cr.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| To Adelaide Office Expenses—Directors' Fees, Secretary's Salary, Advertising, Printing, Stationery, Cables, Postages and General Expenses | | | £499 | 15 10 | By Balance of Mine Working Account | £133824 | 15 6 |
| ,, London Expenses— | | | | | ,, Dividends on Investments | 6085 | 3 2 |
| Directors' Fees | £1450 | - - | | | ,, Interest | 239 | 3 1 |
| Rent and Salaries | 1606 | 17 9 | | | ,, Transfer Fees | 177 | 8 6 |
| Stationery, Printing, Advertising, Cables, Postages and General Expenses | 502 | 18 5 | | | | | |
| Legal Charges and Audit Fee | 114 | 7 6 | | | | | |
| Consulting Engineer | 210 | - - | | | | | |
| Transfer Audit | 21 | 19 11 | | | | | |
| | | | 3906 | 8 7 | | | |
| ,, Income Tax | | | 2245 | 15 - | | | |
| ,, Charges and Remittances | | | 742 | 17 6 | | | |
| ,, Depreciation on Investments Realised and in hand | | | 7089 | 14 6 | | | |
| ,, Depreciation on London Office Furniture | | | 50 | - - | | | |
| ,, Balance carried to Balance Sheet | | | 125792 | 3 10 | | | |
| | | | £140326 | 10 3 | | £140326 | 10 3 |

**Auditors' Report.**—We report to the Shareholders that we have examined the above Balance Sheet with the Books and Vouchers in London, and with the Audited Statements received from Australia, and having obtained all the information and explanations we have required, we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us, and as shown by such Books and Audited Statements.

3 Frederick's Place, Old Jewry, E.C.,
*30th June, 1909.*

PRICE, WATERHOUSE & CO.

## The Associated Gold Mines of

## Balance Sheet as at

### Liabilities.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CAPITAL :— | | | | | | | | | |
| Authorised £500,000 in 500,000 Shares of £1 each | | | | £500000 | - | - | | | |
| Issued and fully paid up | | | | | | | 495364 | - | - |
| SUNDRY CREDITORS :— | | | | | | | | | |
| Australia | | | | 10301 | 11 | 8 | | | |
| London | | | | 180 | 10 | 5 | 10482 | 2 | 1 |
| Directors' Extra Remuneration— | | | | | | | | | |
| On Dividends Nos. 13 and 14 | | | | | | | 1238 | 8 | 2 |
| Dividends— | | | | | | | | | |
| Outstanding and unclaimed | | | | | | | 806 | 4 | - |
| PROFIT & LOSS :— | | | | | | | | | |
| Balance as per last Balance Sheet | | | | 14385 | 15 | - | | | |
| *Add* Balance for year as per annexed account | | | | 125792 | 3 | 10 | | | |
| | | | | 140177 | 18 | 10 | | | |
| *Less* Dividend No. 13, 1s. 6d. per Share paid 24th July, 1908 | 37152 | 6 | - | | | | | | |
| *Less* Dividend No. 14, 1s. per Share paid 12th November, 1908 | 24768 | 4 | - | 61920 | 10 | - | | | |
| | | | | 78257 | 8 | 10 | | | |
| *Less* Western Australian Government Duty on Dividends Nos. 13 and 14 | 3096 | - | 6 | | | | | | |
| *Less* Directors' extra remuneration for year ending 31st March, 1909, on Dividends Nos. 13 and 14, paid 24th July and 12th November, 1908, subject to confirmation by Shareholders in accordance with Articles of Association | 1238 | 8 | 2 | 4334 | 8 | 8 | | | |
| | | | | 73923 | - | 2 | | | |
| *Less* Expenditure written off— | | | | | | | | | |
| Development and Shaft Sinking | 40274 | 13 | 9 | | | | | | |
| Diamond Drilling | 2629 | 19 | 7 | | | | | | |
| *Less* Depreciation— | | | | | | | | | |
| Plant & Machinery | 20431 | 18 | 4 | | | | | | |
| Buildings | 795 | 4 | 3 | | | | | | |
| Furniture | 102 | 19 | 9 | 64234 | 15 | 8 | 9688 | 4 | 6 |
| | | | | | | | £517578 | 18 | 9 |

## Western Australia, Limited.

31st March, 1909.

**Assets.**

| | | | | |
|---|---|---|---|---|
| Property Purchase Account— | | | | |
| As per last Balance Sheet ..... | | | | £169377 19 10 |
| Expenditure on Australia Leaseholds— | | | | |
| Plant and Machinery— | | | | |
| As per last Balance Sheet ..... | 121348 17 7 | | | |
| Additions during year (less Sales) | 14863 18 1 | | | |
| | 136212 15 8 | | | |
| *Less* 15% Depreciation ..... | 20431 18 4 | 115780 17 4 | | |
| Buildings— | | | | |
| As per Balance Sheet ..... | 5301 8 7 | | | |
| *Less* 15% Depreciation ..... | 795 4 3 | 4506 4 4 | | |
| Furniture— | | | | |
| As per last Balance Sheet ..... | 1022 7 9 | | | |
| Additions during year ..... | 7 10 - | | | |
| | 1029 17 9 | | | |
| *Less* 10% Depreciation ..... | 102 19 9 | 926 18 - | | |
| Development and Shaft Sinking— | | | | |
| As per last Balance Sheet ..... | 39180 6 11 | | | |
| Expenditure during year ..... | 32438 12 4 | | | |
| | 71618 19 3 | | | |
| *Less* written off— | | | | |
| 20% on Balance at 31st March, 1908 ..... 7836 1 5 | | | | |
| Expenditure for year to 31st March, 1908 ..... 32438 12 4 | 40274 13 9 | 31344 5 6 | | |
| Live Stock and Vehicles (as valued) ... | | 487 - - | | 153045 5 2 |
| London Office Furniture (less Depreciation) | | | | 100 - - |
| Investments— | | | | |
| Consols £41000 2½% at market price, 31st March, 1909 ..... | | 34773 2 6 | | |
| Transvaal Government 3% Guaranteed Stock 1958 £100000 at net cost ..... | | 96005 6 2 | | |
| | | 130778 8 8 | | |
| *Add* accrued interest ..... | | 941 18 8 | | |
| | | 131720 7 4 | | |
| Associated Northern Blocks (W.A.) Limited 9813 fully paid £1 Shares at market price, 31st March, 1909 | | 3679 17 6 | | |
| Kalgoorlie and Boulder Mines Water Trust ..... | | 1080 - - | | |
| Sundry Investments ..... | | 50 13 - | | 136530 17 10 |
| Stores Explosives, Fuel, &c., as certified | | 9559 9 2 | | |
| ,, in transit ..... | | 1534 16 1 | | 11094 5 3 |
| Unexpired Insurance Premiums ..... | | | | 136 14 4 |
| Sundry Debtors— | | | | |
| Australia for Bullion (since received) | | 22639 2 9 | | |
| ,, Sundries ..... | | 1200 3 4 | | |
| London for advance against security (since repaid) ..... | | 9000 - - | | 32839 6 1 |
| Cash at Bank and in hand— | | | | |
| Deposit and General Accounts ..... | | 13648 6 3 | | |
| Dividend Accounts ..... | | 806 4 - | | 14454 10 3 |
| | | | | £517578 18 9 |

# The Balance Sheet of Furness

30th April,

**Capital and Liabilities.**

| | | | |
|---|---|---|---|
| SHARE CAPITAL :— | | | |
| Total authorised Issue— | | | |
| 150000 5% Cumulative Preference Shares of £10 each | | £1500000 | |
| 2000000 Ordinary Shares of £1 each | | 2000000 | |
| | | £3500000 | |
| ISSUED :— | | | |
| 80000 5% Cumulative Preference Shares of £10 each fully called and paid up | £800000 | | |
| 35000 5% Cumulative Preference Shares of £10 each on which £8 per Share has been called up | 280000 - | | |
| | 1080000 - - | | |
| *Add*—Amounts paid in advance, *less* Calls in arrear | 66453 - - | 1146453 - - | |
| 1200000 Ordy. Shares of £1 each, fully called and paid up | 1200000 - - | | |
| 800000 Ordy. Shares of £1 each, on which 17/6 per Share has been called up | 700000 - - | | |
| | 1900000 - - | | |
| *Add*—Amounts paid in advance, *less* Calls in arrear | 19635 2 6 | 1919635 2 6 | 3066088 2 6 |
| *NOTE.—There is an amount of £83911 17s. 6d. receivable against future Calls.* | | | |
| RESERVE FUND separately invested (as per Contra) | | | 500000 - - |
| RESERVE ACCOUNT for Insurance and Repairs | | | 200000 - - |
| SUNDRY CREDITORS (including British Maritime Trust, Ltd., and Chesapeake and Ohio S.S. Company, Ltd., on purchase of Steamers) | | | 509551 6 4 |
| BILLS PAYABLE :— | | | |
| Accepted for Customers against security (as per Contra) | | 26244 - - | |
| General | | 116670 9 9 | |
| On Steamers building and delivered | | 368685 - - | 511599 9 9 |
| PROFIT AND LOSS :— | | | |
| Balance as per last account | 165775 11 7 | | |
| *Less*—Appropriated as per Directors' Report of 4th July, 1908 | 63460 5 3 | 102315 6 4 | |
| *Add*—Balance for year as per Account | | 217383 1 11 | |
| | | 319698 8 3 | |
| *Less* Interim Div. on Ordinary Shs. for 6 months at 5% per ann., paid 1st Nov., 1908 | 44088 10 3 | | |
| Transferred for Depreciation | 114897 - 10 | 158985 11 1 | 160712 17 2 |
| | | | £4947951 15 9 |

## Dr. Profit & Loss Account for the Twelve

| | | |
|---|---|---|
| To Directors' Fees | | 5441 13 4 |
| ,, Income Tax | | 6198 12 - |
| ,, Preference Share Dividend to 31st October, 1908, and Interest and Discount | | 49692 8 11 |
| ,, Balance as per Balance Sheet | | 217383 1 11 |
| | | £278715 16 2 |

## Withy & Company, Limited.

1909.

**Property and Assets.**

| | | |
|---|---|---|
| STEAMSHIPS, INVESTMENTS in Collieries, Engine and Iron Works, Shipping, Industrial and Subsidiary Companies, and General Investments (less Depreciation written off), Freeholds, Plant, and other property in the United Kingdom and abroad (including dock warehouses, tugs, coal and cargo barges), Stock of coal, &c., Payments on account of New Tonnage (less Amounts received on account) ..... | | £3792457 18 4 |
| INVESTMENTS as per Contra Reserve Fund ..... | | 500000 - - |
| £100000...2½% Consols ..... | | |
| 100000...British Maritime Trust Limited ..... | Shares | |
| 50000...Cash Deposits with Bankers and Secured Loans at Interest ..... | | |
| 50000...Cargo Fleet Iron Company, Limited .....Debentures | | |
| 50000...International Mercantile Marine Co. ..... Bonds | | |
| 50000...Broomhill Collieries, Limited .....Preference Shares | | |
| 20000...Soria Mining Company, Limited .....Debentures | | |
| 18424...Tyne-Tees Steam Shipping Co., Ltd. ... do. | | |
| 17532...Robert Stephenson & Company, Ltd. ... do. | | |
| 11800...Palmer's Shipbuilding & Iron Co., Ltd.... do. | | |
| 8500...Easington Coal Company, Limited ..... do. | | |
| 8280...Richardson, Westgarth & Company, Ltd. do. | | |
| 7500...Tees-side Bridge & Engineering Co., Ltd. do. | | |
| 7100...Wouldham Cement Company, Limited ... do. | | |
| 5500...London-Welsh Steam Shipping Co., Ltd. do. | | |
| 2000...Inkula Steamship Company, Limited ... do. | | |
| 1000...Inkum Steamship Company, Limited ... do. | | |
| 2000...Metropolitan Railway ..... Stock | | |
| 5000...Grand Trunk Railway of Canada ..... do. | | |
| 3000...Great Central Railway Company ..... do. | | |
| 3000...London, Chatham & Dover Railway ..... do. | | |
| 500 Shares Barclay & Company, Ltd., £20 each, £8 paid up... | | |
| 500 Shares North Eastern Banking Company, Limited, £20 each, £6 paid up ..... | | |
| SUNDRY DEBTORS— | | |
| For Acceptance of Customer's Drafts against Security (as per Contra) ..... | 26244 - - | |
| On Open Accounts and Steamer's Uncompleted Voyages, including Unexpired Insurances and Pending Averages ..... | 251849 7 4 | 278093 7 4 |
| BANKERS' BALANCES on Current Accounts, Cash and Bills on hand ..... | | 377400 10 1 |
| | | £4947951 15 9 |

### Months ended 30th April, 1909.

| | | |
|---|---|---|
| By Profits.— | | |
| At Head Office and Branches ..... | £222983 15 9 | |
| *Less*—Loss at Shipyard, to 31st Oct., 1908 | 59134 9 7 | 163849 6 2 |
| ,, Dividends on Investments ..... | | 105749 18 9 |
| ,, Subsidy for Postal Services..... | | 8924 11 9 |
| ,, Transfer Fees ..... | | 191 19 6 |
| | | £278715 16 2 |

# THE VEGETARIAN RESTAURANTS COMPANY, LIMITED.

## Balance Sheet, 31st July, 1909.

| Liabilities. | £ | £ s. d. |
|---|---|---|
| NOMINAL CAPITAL— | | |
| 15000 Shares Ordinary £1 each .. | 15000 | |
| 5000 5½% Cumulative Preference Shares of £1 each ..... | 5000 | 20000 - - |
| SUBSCRIBED CAPITAL— | | |
| 2866 Ordinary Shares £1 each fully paid ..... | 2866 | |
| 2000 5½% Cumulative Preference Shares £1 each fully paid .... | 2000 | 4866 - - |
| Sundry Creditors ..... 667 2 9½ | | |
| Rents, &c., accrued ..... 61 - 10 | | 728 3 7½ |
| Bank Overdraft ..... | | 21 17 2 |
| *The unpaid Dividends on the Cumulative Preference Shares to July 31st, 1909, amount to £227 13s. 10d.* | | |
| | £ | 5616 - 9½ |

| Assets. | | | £ s. d. |
|---|---|---|---|
| Plant Account— | | | |
| Fountain St., as at July 31st, 1908 ..... | 3982 11 7 | | |
| *Additions* to date..... | 173 8 - | | |
| | 4155 19 7 | | |
| *Less* Depreciation ..... | 103 18 - | | 4052 1 7 |
| Old Millgate, as at July 31st, 1908 | 656 18 5 | | |
| *Additions* to June 30th, 1909 .. | 16 4 - | | |
| | 673 2 5 | | |
| *Less* Sales..... | 151 5 9 | | |
| *Loss* on Realisation ..... | 521 16 8 | | |
| Suspense Account— | | | |
| *Loss* on Realisation of Plant at Old Millgate, as above..... | | | 521 16 8 |
| Stock of Provisions, &c. ..... | | | 332 11 9 |
| Sundry Debtors ..... | | | 21 5 5 |
| Rates, &c., charged in advance ..... | | | 162 3 2 |
| Cash in hand ..... | | | 15 10 6½ |
| PROFIT & LOSS ACCOUNT— | | | |
| Balance at 31st July, 1908 .... | 251 17 11 | | |
| Loss on 12 months working .....124 1 1 | | | |
| *Add* Bonus to Servants 30 14 8 | | | |
| *Add* Depreciation....103 18 - | 258 13 9 | | 510 11 8 |
| | | £ | 5616 - 9½ |

22 Booth Street,
MANCHESTER, *12th July, 1907.*

*To the Shareholders of*
The English Sewing Cotton Company, Limited.

Gentlemen,

We have audited the Accounts of the Company for the year ending 31st March, 1907, and the Balance Sheet of that date, and have to report that such Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

**Properties, &c.**—The item £2241489 5s. 11d. is explained in the Balance Sheet itself. It includes "Closed Works," which now stand at £36241 3s. 10d., and "Goodwill and Trade Marks," which stand at £431546 9s. 0d.

Depreciation has been charged at the following rates:—

On Buildings, including Sprinklers.....at 2½%
„ Fixed Plant .....at 5%
„ Loose Plant and Machinery .....at 7½%
„ Office and Warehouse Furniture and Fittings, a sum exceeding .....at 10%

And in addition—

Depreciation on the excess of the amount standing to the debit of "Closed Works" Account over the present estimated value thereof.....at 10%

The item of Depreciation, £28902 2s. 3d., in the Balance Sheet is in respect of English plants only. In addition, the sum of £10429 0s. 1d. has been written off for Depreciation on the plant of R. F. & J. Alexander & Co., Limited, & Ermen & Roby (Armentieres) Limited, which is dealt with in the separate Accounts of these Companies. The total Depreciation for the year is therefore £39331 2s. 4d.

**Balance of Accounts due by Subsidiary Companies and Dividends and Profit yet to receive.**—£209600 19s. 5d. comprises the Dividend to be received from the American Thread Company, and balances owing by R. F. & J. Alexander & Company, Limited, and Ermen & Roby (Armentieres) Limited, (less a credit balance of account with the English Thread Company, Limited).

**Stocks in Trade.**—The correctness of the quantities has been certified by some responsible person or persons at each Branch. The prices of the stocks in the various departments of each concern are certified as correct by the four Executive Directors or as to stores and mill supplies by a member of the Stores Committee. These gentlemen also certify that such prices are on the basis of cost or net realisation (whichever is lower), and we are of opinion that the basis adopted is fair and reasonable.

**Sundry Debtors.**—This item includes the Foreign and Home Trade Debtors for Sewing Cotton and Sewing Silk, the accounts for which are kept by the Company's Agents, the Central Agency, Limited. Summarised statements thereof, certified by Mr. David W. Kidston, one of the Auditors of the Central Agency, Limited, have been produced to us. Proper provision has, in our opinion, been made for bad and doubtful debts and for discounts.

**Cash and Bills at Bankers and in Hand.**—We have verified the Cash and Bills at Bankers and at the Head Office, and at some of the Branches. With regard to cash at Foreign Banks and Agencies under the control of the Central Agency, Limited, our remarks under the head of Sundry Debtors also apply.

We have examined the Certificates for the Investments, including the Investments in Subsidiary Companies.

**Profit and Loss Account.**—The net profit on the year's working, after paying £38309 1s. 1d. Interest on Debentures is £254846 17s. 4d. to which must be added the balance brought forward from last year, £67302 11s. 7d., making a total of £322149 8s. 11d. From this must be deducted the interim dividend of 2½% on the Preference Shares paid on the 9th February, 1907, £25000, leaving a balance to the credit of £297149 8s. 11d.

We are, Gentlemen,

Your obedient Servants,

DAVID SMITH, GARNETT & CO.

## ENGLISH SEWING COTTON

### Balance Sheet,

| | | | |
|---|---|---|---|
| SHARE CAPITAL, authorised, issued, and paid up :— | | | |
| 1000000 5% Cumulative Preference Shares of £1 each | | £1000000 - - | |
| 1000000 Ordinary Shares of £1 each | | 1000000 - - | |
| Debenture Stock, authorised, issued, and paid up :— | | | |
| 4% Mortgage First Debenture Stock | £957694 - - | | |
| Interest accrued thereon to 31st March, 1907 | 9576 18 9 | 967270 18 9 | |
| Sundry Creditors | | 74252 17 3 | |
| The American Thread Company—Current Account | | 4565 19 10 | |
| Pension Fund for Employees | | 5000 - - | |
| Capital Reserve Account | | 112601 13 6 | |
| Reserve Account | | 50000 - - | |
| *Contingent Liability against Bills of Lading,* £232750 0 6 (*estimated at nil*). | | | |
| PROFIT & LOSS ACCOUNT :— | | | |
| Balance brought forward as per Directors' Report, dated 30th July, 1906 | 72302 11 7 | | |
| *Less* Employees Pension Fund—Amount voted at last General Meeting | 5000 - - | | |
| | 67302 11 7 | | |
| Profit for the year as per account | 254846 17 4 | | |
| | 322149 8 11 | | |
| *Deduct* Interim Dividend of 2½% on Preference Shares paid 9th February, 1907 | 25000 - - | 297149 8 11 | |
| | | £3510840 18 3 | |

### Dr. Profit & Loss Account for

| | |
|---|---|
| To Directors' Fees, 1907, and Commission, 1906 | £10500 - - |
| ,, Law Charges and Accountancy | 1136 19 7 |
| ,, Depreciation on English Plants, Furniture and Fittings | 28902 2 3 |
| ,, Debenture Interest for one year | 38309 1 1 |
| ,, Balance carried down | 254846 17 4 |
| | £333695 - 3 |

In accordance with the provisions of the Companies' Act, we certify that Shareholders accompanies this Balance Sheet.

Manchester, *11th July, 1907.*

## COMPANY, LIMITED.

31st March, 1907.

| | | |
|---|---|---|
| Freehold and Leasehold Properties, Plant, Machinery, etc. (including capital outlay on same since their acquisition) and Goodwill of original purchases, also fully paid shares in Subsidiary Companies, fully paid Preference and Ordinary Shares in R. F. & J. Alexander & Co., Ltd., and 1200000 Shares of $5 each ($3½ per share paid up) of the Common stock of the American Thread Company as per Balance Sheet 31st March, 1906 | £2327703 7 3 | |
| *Add* Capital Expenditure during year ended 31st March, 1907 (exclusive of £11444 8 6 expended by Subsidiary Companies) ..... | 12350 12 - | |
| | 2340053 19 3 | |
| *Less* Depreciation on English Plants, Furniture and Fittings for the year ..... £28902 2 3 (*Exclusive of £10429 0 1 written off by Subsidiary Companies*). | | |
| Sales .. ..... 59662 11 1 | | |
| Amount written "Closed Works" taken from Special Reserve ..... 10000 | | |
| | 98564 13 4 | |
| Total Properties, etc. (including "Closed Works Account" £36241 3 10), at 31st March, 1907 ..... | | £2241489 5 11 |
| Subsidiary Companies—Balance of Accounts due—and Dividends and Profit yet to receive ..... | | 209600 19 5 |
| Stocks-in-Trade valued on basis of Cost or Net Realisation whichever is lower ..... | | 377534 6 2 |
| Sundry Debtors (*less* Provision for Discount and Bad Debts) ... | | 189873 - 5 |
| Investments at cost price ..... | | 249673 15 1 |
| Cash and Bills at Bankers and in hand ..... | | 221669 11 3 |
| Trustees for Debenture Holders :— Cash in Bank to be re-invested ..... | | 21000 - - |
| | | £3510840 18 3 |

year ended 31st March, 1907. **Cr.**

| | | |
|---|---|---|
| By Manufacturing Profits, Dividends from the American Thread Company and Subsidiary and other Companies, Bank Interest, and Interest on Investments ..... | | 332740 6 9 |
| „ Transfer Fees ..... | | 954 13 6 |
| | | £333695 - 3 |

all our requirements as Auditors have been complied with. Our report to the

DAVID SMITH, GARNETT & CO.,

*Chartered Accountants*, Auditors.

**LIPTON,**

**Balance Sheet** as

**Capital & Liabilities.**

| | | | | |
|---|---|---|---|---|
| CAPITAL :— | | | | |
| (*a*) 1000000 Cumulative 5% Preference Shares of £1 each | | £1000000 - - | | |
| 1000000 Ordinary Shares of £1 each, per Balance Sheet at 14th March, 1908 | £1000000 - - | | | |
| *Add* 250000 Ordinary Shares of £1 each, issued in July, 1908 | 250000 - - | | | |
| | 1250000 - - | | | |
| *Less* Calls in arrear on 79 Shares of new Issue | 65 15 - | 1249934 5 - | £2249934 | 5 - |
| Debenture Stock, bearing 4% interest | | | 500000 | - - |
| Bills Payable | | | 212982 | - 5 |
| Overdraft from Bank | | | 393745 | 4 4 |
| Sundry Creditors and Directors' Fees | | | 241960 | 9 4 |
| Savings Bank Deposits & Interest accrued thereon | | | 67321 | 8 7 |
| Unclaimed Dividends | | | 2049 | 19 8 |
| Interest on Debenture Stock accrued at date | | | 8965 | - 11 |
| Premium on Shares Account :— | | | | |
| 5s. per Share on 666667 Shares of original Issue | 166666 15 - | | | |
| 5s. per Share on 250000 Shares of new Issue £62500 - - | | | | |
| *Less* Expenses of new Issue 8277 17 9 | 54222 2 3 | 220888 17 3 | | |
| Reserve Account | | 145000 - - | 365888 | 17 3 |
| PROFIT & LOSS ACCOUNT :— | | | | |
| Balance brought from previous year | 20264 16 3 | | | |
| Profit for period ending 20th March, 1909, as per Account | 162726 5 2 | 182991 1 5 | | |
| *Deduct* (*a*) Interest on Debenture Stock for year | 20000 - - | | | |
| (*b*) Interim Dividend on Preference Shares paid 30th Sept., 1908 | 25000 - - | | | |
| (*c*) Interim Dividend on original Ordinary Shares paid 9th November, 1908 | 30000 - - | | | |
| (*d*) Interim Dividend on new Ordinary Shares paid 9th November, 1908 | 1171 17 6 | 76171 17 6 | 106819 | 3 11 |
| | | | £4149666 | 9 5 |

**Dr.** **Profit & Loss Account** for the Period from

| | | |
|---|---|---|
| To Expenses of Management, including Salaries, General Charges, Head Office Expenses, Auditors' Fees, Transfer Office Expenses, Savings Bank Expenses and Advertising | £147715 | 16 4 |
| ,, Bad Debts | 2164 | 4 7 |
| ,, Interest on Savings Bank Deposits | 413 | 15 11 |
| ,, Depreciation on Plant, Fittings, Fixtures, Utensils, &c., at Stores, Head Office and Branches, and in Ceylon; also Provision for Depreciation of Leaseholds | 38963 | 3 10 |
| ,, Directors' Fees | 6260 | - - |
| ,, Fees to Trustees for Debenture Holders | 630 | - - |
| ,, Balance carried to Balance Sheet, being Profit for the above period | 162726 | 5 2 |
| | £352819 | 5 10 |

**LIMITED,**

at 20th March, 1909.

| | | | |
|---|---|---|---|
| **Assets.** | | | |
| Goodwill of the Business, Freehold and Leasehold Properties, and Freehold Estates in Ceylon ..... | | | |
| Amount per Balance Sheet at 14th March, 1908, at Cost, less amounts written off for Depreciation ..... ..... | £1834295 6 - | | |
| Additional Capital Expenditure during year ..... | 12111 3 5 | £1846406 9 5 | |
| *Less* written off for Depreciation and Lease Redemption during year..... | | 4354 12 11 | £1842051 16 6 |
| Plant, Machinery, Fixtures, Fittings, Utensils, Carts, Horses, &c. | | | |
| Amount per Balance Sheet at 14th March, 1908 ..... | 309647 5 - | | |
| Additions during year at Branches ..... | 170166 19 3 | | |
| Do. at Stores, Factories, &c. | 61524 14 11 | 541338 13 2 | |
| *Less* written off for Depreciation during year ..... | | 34608 10 11 | 506730 2 3 |
| Stocks-in-Trade ..... | | | 1290628 6 10 |
| Sundry Debtors ..... | | | 256147 14 - |
| Insurances unexpired and other items paid in advance, including £30000 of advertising outlay carried forward ..... | | | 80155 14 8 |
| Investments at Cost and Interest &c., accrued thereon (Market Value, £101537 8 10) | | | 104277 10 9 |
| Cash at Bank and on hand ..... | | | 69675 4 5 |
| | | | £4149666 9 5 |

15th March, 1908, to 20th March, 1909 inclusive. **Cr.**

| | | |
|---|---|---|
| By Profit on Trading at Stores and Branches (after deducting Wages and Working Expenses) and Profits from Estates in Ceylon ..... | £353315 9 8 | |
| ,, Transfer Fees ..... ..... | 883 11 2 | |
| ,, Interest, &c., on Investments..... | 4614 5 - | |
| | | £358813 5 10 |

# A. W. GAMAGE, Ltd. — Balance Sheet, 31st January, 1910.

| Capital & Liabilities. | | | | | | Assets. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| AUTHORISED CAPITAL— | | | | | | Goodwill— | | | | | |
| 175000 Ordinary Shares of £1 each | | £175000 | | | | As per Purchase Price, 9th Aug., 1897 | | | | 43300 | - - |
| 175000 5½% Cumulative Preference Shares of £1 each | | 175000 | | | | Leases, Fixtures, Fittings, Motor Vans, &c., as per last Account | 62618 | 5 | 9 | | |
| | | £350000 | | | | *Add*—Balance of Expenditure during year | 5535 | 17 | 6 | | |
| ISSUED CAPITAL— | | | | | | | 68154 | 3 | 3 | | |
| 135000 Ordinary Shares of £1 each | 135000 | - | - | | | *Less*—Depreciation written off Short Leases, Motor Vans, &c. | 840 | 19 | 11 | 67313 | 3 4 |
| 155000 5½% Cumulative Preference Shares of £1 each | 155000 | - | - | 290000 | - - | Building Account— | | | | | |
| Loans on Debentures and Interest thereon | | | | 102118 | 15 - | 118-122, Holborn | 75068 | 19 | 3 | | |
| Cash on Deposit and Interest thereon | | | | 4481 | 11 - | 125-128, Holborn | 31891 | 7 | - | | |
| Dividends unclaimed | | | | 100 | 18 7 | Leather Lane, Robin Hood Yard, &c. | 48095 | 7 | 10 | | |
| Sundry Creditors, less Reserve for Discounts | | | | 35661 | 13 5 | Total, as per last Account | 155053 | 14 | 1 | | |
| Bills Payable | | | | 7181 | - - | *Add* Expenditure during year on New Buildings and Artesian Well, less Depreciation on Boilers and Well | 11697 | 1 | 1 | 166750 | 15 2 |
| General Reserve | | | | 14373 | 10 6 | | | | | | |
| Special Reserve | | | | 9000 | - - | Stock-in-Trade, per the Company's Inventories and Valuations | | | | 136251 | 10 5 |
| PROFIT & LOSS ACCOUNT— | | | | | | Cash at Bankers and in Hand | | | | 23078 | 2 - |
| Balance from last Account | 9017 | 5 | 5 | | | Sundry Debtors less Reserve | | | | 8965 | 16 - |
| Balance from new Account | 30079 | 5 | 6 | | | Rents Receivable and Rates, Insurance, &c. paid in advance | | | | 1765 | 16 4 |
| | 39096 | 10 | 11 | | | Investment— | | | | | |
| *Less*—Debenture Interest | 4500 | - | - | | | 35828 Ordinary Shares of £1 each (fully paid) in Benetfink & Co., Ltd. | 39815 | 19 | 2 | | |
| Preference Dividend, paid 1st August, 1909 | 4262 | 10 | - | | | Dividend accrued due | 2530 | 7 | - | 42346 | 6 2 |
| Interim Dividend on Ordinary Shares paid 1st Nov., 1909, at the rate of 5% per annum | 3375 | - | - | | | | | | | | |
| Contribution to the Gamage & Benetfink Employees' Provident Society, as voted at the General Meeting, held on 21st April, 1909 | 105 | - | - | 12242 | 10 - | | | | | | |
| | | | | 26854 | - 11 | | | | | | |
| | | | £ | 489771 | 9 5 | | | | £ | 489771 | 9 5 |

## FREEMAN, HARDY & WILLIS, Limited, Balance Sheet for the year ending 31st December, 1909.

| Liabilities. | £ s. d. | £ s. d. | Assets. | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| CAPITAL, Authorised and Issued— | | | Land, Bldgs., Fixtures, &c., at Leicester | £259000 - - | |
| 225000 fully paid up Ordinary Shares of £1 each ..... | 225000 - - | | Freeh'd Shop Properties, L'cester Sect. 136921 17 6 | | |
| 200000 " " 6% Preference Shares of £1 ea. | 200000 - - | | Leasehold " " " 14819 19 10 | 151741 17 4 | |
| £100000 4% Debenture Stock ..... £100000 - - | | | Freehold & Leasehold Shops, Leases, Fixtures and Plant, London Section | 34581 11 7 | |
| £50000 4% " " 1903 ..... 50000 - - | | | Freehold Factory, &c., at Kettering ... | 12013 4 - | |
| £25000 4% " " 1904 ..... 25000 - - | 175000 - - | | | 257336 12 11 | |
| Trade Creditors ..... | 119457 9 10 | | *Less* Deprec'tn. for 1909, Leicester Sect. 2784 6 4 | | |
| Debenture Interest & Preference Dividend | 8945 16 8 | | " " " London " 1684 11 7 | 4468 17 11 | 252867 15 - |
| Mortgages ..... | 3400 - - | | Fittings and Fixtures at Branch Establishments ..... | 75741 8 3 | |
| Reserve Fund ..... | 95000 - - | | *Less* Depreciation for 1909 ..... | 7574 3 3 | 68167 5 - |
| Res. for Freehold & Leasehold Premises | 15000 - - | | | | |
| Superannuation Fund ..... | 6450 3 8 | | Trade and other Debtors ..... | | 13959 13 5 |
| Balance, 31st December, 1908 ..... 11623 19 7 | | | Cash in hand ..... | 694 17 10 | |
| BALANCE of PROFIT & LOSS ACCOUNT, 31st December, 1909 (after payment of Debenture Interest) ..... 58325 13 10 | | | Cash at Bankers ..... | 54374 6 3 | 55069 4 1 |
| | 69949 13 5 | | Stock in hand at Retail Branches ..... | 367749 15 10 | |
| *Less* Dividend on Preference Shares for the year ..... 11325 - - | | | " " " Warehouses, &c. ..... | 131588 14 7 | 499338 10 5 |
| Interim Dividend on Ordinary Shares ..... 13300 15 8 | 24625 15 8 | 45323 17 9 | Investments at cost ..... | | 4175 - - |
| | £ | 893577 7 11 | | £ | 893577 7 11 |

## JOSEPH WATSON & SONS, Limited, Leeds. Balance Sheet, 31st March, 1910.

| Liabilities. | £ s. d. | £ s. d. | Assets. | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| SHARE CAPITAL— | | | Freehold Land, Buildings, Plant, Machinery, &c.—*less* Premium on Shares, &c., as per last year's Balance Sheet ..... | 200864 1 2 | |
| 360000 5% Pref. Shs. of £1 each fully paid... £360000 | | | *Add* additions during the year, less amount written off for Depreciation ..... | 49441 14 4 | |
| 200000 10% Preferred Ordinary Shares of £1 each fully paid ..... 200000 | | | | 250305 15 6 | |
| £40000 Ordinary Shares of £1 each fully paid 240000 | 800000 - - | | Goodwill ..... | 90000 - - | |
| Debts owing and Credit Balances ..... | 75339 4 2 | | Cash and Investments at Cost ..... | 155537 13 1 | |
| REVENUE ACCOUNT— | | | Debts due and Debit Balances ..... | 167397 15 3 | |
| Amt. from last yr. £2322 6 4 | | | Stock-in-Trade as taken by Officials at Cost or under ..... | 270985 2 5 | |
| Profits for year..... 92135 3 5 94457 10 1 | | | | | |
| *Less* Interim Divs.— | | | | | |
| pd. during the yr. 35570 8 - | 58887 2 1 | | | | |
| | £ | 934226 6 8 | | £ | 934226 6 8 |

811

**Dr.** **Profit & Loss Account for the Twelve**

| | | |
|---|---|---|
| Loss on Trading Account | £1850 | 12 5 |
| Repairs, Wear and Tear, including Depreciation of Fixed and Loose Plant, Tools, Office Furniture, &c. | 3573 | 19 7 |
| Income Tax | 258 | 15 |
| £ | 5683 | 7 - |

**Balance Sheet**

| Liabilities and Capital. | | £ s. d. |
|---|---|---|
| CREDITORS, less Discounts | | 6042 19 5 |
| Unclaimed Dividends | | 157 8 7 |
| Amount due to Bankers | | 6859 6 11 |
| REGISTERED CAPITAL:— | | |
| 25000 6% Cumulative Preference Shares of £1 each | 25000 | |
| 100000 Ordinary Shares of 10s. each | 50000 | |
| 125000 | £75000 | |
| SUBSCRIBED and PAID-UP CAPITAL:— | | |
| 25000 6% Cumulative Preference Shares of £1 each, fully paid | 25000 - - | |
| 99875 Ord. Shares of 10s. each fully paid | 49937 10 - | |
| 124875 | | 74937 10 - |
| £ | | 87997 4 11 |

## COMPANY, LIMITED.

Months ended 31st August, 1909.

| | | | | Cr. | | |
|---|---|---|---|---|---|---|
| Rents Receivable | | | | £38 | 6 | 11 |
| Transfer Fees | | | | 6 | 5 | - |
| Net Loss for 12 months on the Cycle Business | £3914 | 17 | 6 | | | |
| " " " " Engineering Business | 1723 | 17 | 7 | 5638 | 15 | 1 |
| | | | £ | 5683 | 7 | - |

31st August, 1909.

| Assets. | | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| Cash in hand | | | | 38 | 16 | - |
| Sundry Debtors less Reserve | | | | 12333 | - | 1 |
| Stock-in-Trade, certified by Messrs. Gilbert & Jenks | | | | 17093 | 7 | 4 |
| Office Furniture, Fire Brigade Outfit, etc.:— | | | | | | |
| At 31st August, 1908 | 640 | 11 | 1 | | | |
| *Add* Expenditure in the 12 months | 4 | 17 | 4 | | | |
| | 645 | 8 | 5 | | | |
| *Less* Repairs and Depreciation for 12 months | 37 | 6 | 3 | 608 | 2 | 2 |
| Lease of London Depôt, including Fixtures, Fittings, &c. | | | | 706 | 2 | 7 |
| Loose Plant and Tools:—At 31st August, 1908 | 4424 | 15 | 2 | | | |
| *Add* Expenditure in the 12 months | 2076 | 17 | 10 | | | |
| | 6501 | 13 | - | | | |
| *Less* Repairs and Depreciation for 12 months | 1916 | 17 | 6 | 4584 | 15 | 6 |
| Fixed Plant & Machinery:—At 31st Aug., 1908 | 14406 | 1 | 1 | | | |
| *Add* Expenditure in the 12 months | 1148 | 19 | 4 | | | |
| | 15555 | - | 5 | | | |
| *Less* Repairs and Depreciation for 12 months | 1298 | 11 | 7 | 14256 | 8 | 10 |
| Freehold Land & Buildings:—At 31st Aug., 1908 | 21725 | 17 | 4 | | | |
| *Add* Expenditure in the 12 months | 316 | 10 | 1 | | | |
| | 22042 | 7 | 5 | | | |
| *Less* Repairs written off | 147 | 1 | 1 | 21895 | 6 | 4 |
| Patterns and Drawings:—At 31st August, 1908 | 919 | 19 | 10 | | | |
| *Add* Expenditure in the 12 months | 612 | 14 | 4 | | | |
| | 1532 | 14 | 2 | | | |
| *Less* Depreciation | 174 | 3 | 2 | 1358 | 11 | - |
| Initial Administration Charges in Opening up Engineering Business | | | | 311 | 13 | 4 |
| Goodwill and Patents Account:—As at 31st August, 1908 | | | | 10000 | - | - |
| PROFIT & LOSS ACCOUNT:— | | | | | | |
| Loss for the 12 months ended 31st Aug., 1909 | 5638 | 15 | 1 | | | |
| *Less* Balance from previous Account | 827 | 13 | 4 | 4811 | 1 | 9 |
| | | | £ | 87997 | 4 | 11 |

# MAYPOLE DAIRY COMPANY, LIMITED. Balance Sheet, 25th December, 1909.

| Liabilities. | £ | s. | d. | Assets. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| CAPITAL Issued:— | | | | Cash at Bankers, on Deposit and Current Account and in hand | 50804 | 5 | 8 |
| 350000 5% Cumulative Preference Shares of £1 each, fully paid ..... £350000 | | | | Money at short notice and on loan (secured by deposit of Scrip) | 228390 | 14 | 7 |
| 1800000 20% Cumulative Preferred Ordinary Shares of 5/- each, fully paid ..... 450000 | | | | | 279195 | - | 3 |
| 1230000 Deferred Ordinary Shares of 2/- each, fully paid ..... 123000 | | | | Investments:— | | | |
| | 923000 | - | - | Guaranteed 2¾% Stock and other Trustee Securities (at market value) as per Sch. | 45048 | 18 | 1 |
| Reserve Funds ..... | 160000 | - | - | Freehold and Long Leasehold Properties (less depreciation) as per Schedule ..... | 78388 | 14 | 9 |
| Provident Fund ..... | 5397 | 10 | 4 | Short Leasehold Properties (less depreciation) Japanese Government Stocks and other Investments ..... | 62632 | 17 | - |
| Sundry Creditors:— | | | | | 186070 | 9 | 10 |
| Open Accounts ..... 141235 5 10 | | | | Stocks (at or below cost), as Certified by Managing Directors ..... | | | |
| Bills Payable ..... 4728 6 6 | 145963 | 12 | 4 | | 366437 | 13 | 5 |
| | | | | Sundry Debtors ..... | 15563 | 2 | 8 |
| PROFIT & LOSS ACCOUNT:— | | | | Accounts paid in advance ..... | 2715 | 9 | - |
| Balance transferred ..... | 211857 | 17 | 1 | Goodwill and Trade Marks ..... | 422900 | - | - |
| | | | | Branch Shops, Warehouses, Works Machy., Offices, Furniture, Fixtures, Fittings, Motor Wagons, etc., as at 26th December, 1908 | 227486 | 11 | 2 |
| | | | | Net additions to date ..... | 9512 | 2 | 5 |
| | | | | | 236998 | 13 | 7 |
| | | | | *Less* Depreciation ..... | 63661 | 9 | - |
| | | | | | 173337 | 4 | 7 |
| £ | 1446218 | 19 | 9 | £ | 1446218 | 19 | 9 |

## Dr. Profit & Loss Account for the year ended 25th December, 1909. Cr.

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To Directors' Fees ..... | 4324 | 2 | 3 | By Balance brought forward at 26th December, 1908 ..... | 8083 | 10 | 1 |
| ,, Depreciation in value of Trustee Securities | 313 | 12 | 11 | ,, Net Trading Profit, Rents received and Interest for the year 1909 ..... 302713 10 2 | | | |
| ,, Six months' Dividend at 5% per annum on Preference Shares paid 1st July, 1909 ..... | 8750 | - | - | ,, Transfer Fees ..... 198 12 - | 302912 | 2 | 2 |
| ,, Six months' Dividend at 20% per annum on Pref'd. Ordy. Shares, paid 1st July, 1909 ... | 45000 | - | - | | | | |
| ,, Interim Dividend of 6d. per Share on Def'd. Ordy. Shares, paid 1st July, 1909 .... | 30750 | - | - | | | | |
| ,, Reserve Fund ..... | 10000 | - | - | | | | |
| ,, Balance carried to Balance Sheet ..... | 211857 | 17 | 1 | | | | |
| £ | 310995 | 12 | 3 | £ | 310995 | 12 | 3 |

814

## ALBERT BAKER & CO. (1898) Limited. Balance Sheet as at 1st January, 1910.

| Liabilities. | | £ s. d. | Assets. | | £ s. d. |
|---|---|---|---|---|---|
| CAPITAL:— | | | | | |
| 200000 Shares of £1 each | | 200000 - - | Sundry Debtors | £1023 15 3 | |
| Sundry Creditors:— | | | Bills Receivable | 174 3 3 | |
| On Open Accounts | £20353 19 2 | | Insurance paid in advance | 70 5 10 | 1268 4 4 |
| ,, Bills Payable | 1332 1 - | 21686 - 2 | | | |
| | | | Machinery, Plant, Leases, Fixtures, Fittings, Goodwill and Trade Marks as per last Balance Sheet | 133263 7 1 | |
| General Reserve Fund | | 14000 - - | *Less* Depreciation | 2000 - - | 131263 7 1 |
| Unclaimed Dividends as per Contra | | 77 4 5 | | | |
| PROFIT & LOSS ACCOUNT:— | | | Unclaimed Dividends as per Contra | | 77 4 5 |
| Balance, 1st January, 1909 | £7464 16 8 | | Stock | | 103798 17 5 |
| *Add* Profit for year | 11746 14 8 | | Cash at Banks— | | |
| | 19211 10 11 | | Current Account | £2037 15 8 | |
| *Less* 22nd and 23rd Dividends | 11000 - - | 8211 10 11 | Deposit Account | 5000 - - | 7037 15 8 |
| | | | Offices and Shops | | 529 7 - |
| | £ | 243974 15 6 | | £ | 243974 15 6 |

## Dr. Profit & Loss Account, 1st January, 1909, to 31st December, 1909. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Rent, Rates, Taxes, Insurance, Gas and Electric Light | 20699 13 5 | By Gross Profit | 59929 17 5 |
| ,, Salaries and Wages | 20070 9 3 | ,, Transfer Fees | 50 5 - |
| ,, Audit Fees and Law Charges | 132 6 - | | |
| ,, Directors' Fees and Managing Directors' Remuneration | 500 - - | | |
| ,, Advertising and Petty Expenses | 2813 10 10 | | |
| ,, Repairs and Maintenance | 2077 8 8 | | |
| ,, Depreciation | 2000 - - | | |
| ,, Net Profit | 11746 14 8 | | |
| £ | 59980 2 5 | £ | 59980 2 5 |

## A. & F. PEARS, Limited. Balance Sheet made up to 30th June, 1909.

| Liabilities. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| SHARE CAPITAL, Authorised and Subscribed— | | | | | | |
| 20000 6% Cumulative Preference Shares of £10 each, fully paid | £200000 | | | | | |
| 320000 Ordinary Shares of £1 each, fully paid ... | 320000 | | | | | |
| | 520000 | | | | | |
| Debenture Stock (5 per cent.) | 200000 | | | 720000 | - | - |
| Trade and other Creditors | | | | 23218 | 1 | 4 |
| Interest on Debenture Stock, half-year to date | | | | 5000 | - | - |
| Special Reserve Fund | | | | 5702 | 11 | 11 |
| Reserve Fund | | | | 58500 | - | - |
| Depreciation & Leasehold Redemption Fund— | £ | s. | d. | | | |
| As at 30th June, 1908 | 94311 | 12 | 10 | | | |
| *Less* amount written off | 319 | 3 | 5 | | | |
| | 93992 | 9 | 5 | | | |
| Further provision during the year | 1188 | 2 | - | 95180 | 11 | 5 |
| Unclaimed Dividends | | | | 391 | 1 | 2 |
| PROFIT & LOSS ACCOUNT— | | | | | | |
| Balance at Credit, as below | 57576 | 10 | 7 | | | |
| Profit undivided for 1907-1908 | 9835 | 13 | 3 | | | |
| | 67412 | 3 | 10 | | | |
| *Deduct* Interest on Debenture Stock £10000 | | | | | | |
| ,, Interim Dividend on Pref. Shs. 6000 | | | | | | |
| ,, ,, ,, ,, Ord. ,, 12800 | 28800 | - | - | 38612 | 3 | 10 |
| | | £ | | 946604 | 9 | 8 |

| Assets. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| Goodwill of the Business in this Country, United States of America, Australia, and elsewhere, Freehold Land and Buildings, Leasehold Premises, Plant, Furniture, Fittings and Works of Art, as at 30th June, 1908 | 514658 | 5 | 8 | | | |
| *Less* amount written off | 850 | 1 | 10 | | | |
| | 513808 | 3 | 5 | | | |
| Expended during the year | 661 | 4 | 9 | 514469 | 8 | 2 |
| Trade and other Debtors | 47569 | 19 | 5 | | | |
| Bills Receivable | 14757 | 17 | 11 | 62327 | 17 | 4 |
| Stock-in-Trade, including Advertising, Stock, Horses, Vans, &c., as per Inventories | | | | 167098 | 7 | 3 |
| Cash at Bankers on Deposit and Current Account, and in hand | | | | 27746 | 6 | - |
| Investments (at cost) | | | | 174962 | 10 | 11 |
| viz. :—£120000 2½% Consols. | | | | | | |
| £30000 2½% Metropolitan Consolidated Stock | | | | | | |
| £27760 the Company's 5% Debenture Stock. | | | | | | |
| (There is at present a Depreciation in the market value of these Securities amounting on balance to £17875). | | | | | | |
| | | | £ | 946604 | 9 | 8 |

## Dr. Profit & Loss Account for the year ended 30th June, 1909. Cr.

| | £ | s. | d. |
|---|---|---|---|
| To Salaries, Rent, Rates, Taxes, Fire Insurance in London, Isleworth, New York, Chicago and Melbourne, Foreign Agencies, Repairs and Renewals, and General Expenses, Advertising, Directors' and Auditors' Fees, and Fees to Trustees for Debenture holders | 107373 | 2 | 1 |
| ,, Depreciation and Leasehold Redemption Fund | 1188 | 2 | - |
| ,, Balance carried to Balance Sheet | 57576 | 10 | 7 |
| £ | 166137 | 14 | 8 |

| | £ | s. | d. |
|---|---|---|---|
| By Balance of Trading Account after making provision for Bad and Doubtful Debts | 161572 | 13 | - |
| ,, Interest on Investments and on Cash on Deposit | 4565 | 1 | 8 |
| £ | 166137 | 14 | 8 |

## GOLDSMITHS & SILVERSMITHS COMPANY, LIMITED. Balance Sheet, 31st January, 1910.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| CAPITAL, Authorised and Issued:— | | Goodwill, Leases, Furniture and Fittings | 447601 - 1 |
| 60000 5% Cumulative Preference Shares of £5 each, fully paid £300000 | | Sundry Debtors, less Reserve | 83220 3 2 |
| 300000 Ordinary Shares of £1 each, fully paid 300000 | 600000 - - | Stock in hand as certified by Managers £208798 5 9 | |
| Sundry Creditors | 64948 3 7 | Stationery, Advertising, Stock and Dies 1698 9 3 | 210496 15 - |
| Unclaimed Dividends | 238 9 4 | Investments:— | |
| Dividend accrued on Preference Shares, less Income Tax | 4708 6 8 | Colonial Government and other Securities, at cost | 42012 10 10 |
| Leases Redemption Fund | 18174 5 4 | Cash at Bankers and in hand | 28244 12 8 |
| Reserve under Article 122 £50000 | | | |
| Additional Reserve 40000 | 90000 - - | | |
| PROFIT & LOSS A/c.—Balance as per Appropriation A/c. | 33505 16 10 | | |
| £ | 811575 1 9 | £ | 811575 1 9 |

## Dr. Profit & Loss Account for the year ended 31st January, 1910. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Rent, Rates and Taxes, Salaries, Advertising, Stationery, Legal Charges, General and Travelling Expenses and Bad Debts written off | 55279 12 7 | By Gross Profit on Trading | 97661 9 7 |
| ,, Provision for Redemption of Leases £2729 11 5 | | ,, Interest on Investments and Deposits | 1723 7 6 |
| ,, Depreciation of Fittings 537 18 4 | 3267 9 9 | ,, Transfer Fees | 114 7 7 |
| ,, Directors' and Auditors' Fees | 1841 11 6 | | |
| ,, Income Tax | 655 10 10 | | |
| ,, Balance carried to Appropriation Account | 38955 - - | | |
| £ | 99499 4 8 | £ | 99499 4 8 |

## Dr. Appropriation Account for the year ended 31st January, 1910. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Final Dividend on Ordinary Shares at the rate of 7½% per annum for the six months ending 31st January, 1909 | 11250 - - | By Balance of Profit and Loss Account at 31st January, 1909, as per last Balance Sheet | 37050 16 10 |
| ,, Transfer to Reserve | 5000 - - | | |
| ,, Balance carried forward | 20800 16 10 | | |
| £ | 37050 16 10 | £ | 37050 16 10 |
| To Dividend on Preference Shares for year ending 31st January, 1910 | 15000 - - | By Balance brought down | 20800 16 10 |
| ,, Interim Dividend on Ordinary Shares at 7½% per annum for half-year ending 31st July, 1909 | 11250 - - | ,, Profit for the year to date as per Profit and Loss A/c. | 38955 - - |
| ,, Balance carried to Balance Sheet | 33505 16 10 | | |
| £ | 59755 16 10 | £ | 59755 16 10 |

# THE MAZAWATTEE TEA COMPANY, LIMITED.

## Balance Sheet, 21st December, 1909.

| | | | | | | |
|---|---|---|---|---|---|---|
| Authorised Capital | | £ | 1000000 | - | - | |
| CAPITAL ISSUED:— | | | | | | |
| 80000 5% Cumulative Preference Shares of £5 each | £400000 | | | | | |
| 350000 Ordinary Shares of £1 each | 350000 | | 750000 | - | - | |
| 4½% Mortgage Debenture Stock | | | 200000 | - | - | |
| Loans against Securities | | | 70000 | - | - | |
| Sundry Creditors | | | 21909 | 16 | 3 | |
| Guarantors of Lease Indemnity Fund | | | 400 | - | - | |
| Reserve | | | 51000 | - | - | |
| Advertising Reserve | | | 6500 | - | - | |
| PROFIT & LOSS ACCOUNT | | | 47422 | - | 9 | |
| | | £ | 1147231 | 17 | - | |

| | | | |
|---|---|---|---|
| Trade Marks and Goodwill at cost | | 382628 | 14 4 |
| Freehold Land, Leases, Factories and Offices at New Cross and Tower Hill (less depreciation of Leases) | | 101598 | 14 9 |
| Plant, Machinery, and Fixtures at New Cross and Tower Hill (less depreciation) | | 58683 | 16 10 |
| Stock of Tea, Coffee, Cocoa, and Sundry Materials on hand as per certified Stock Sheet | | 130963 | 19 - |
| Stamp Duty on Capital unissued | | 560 | 17 6 |
| Sundry Debtors (less Reserve against Discounts) and Deposits on Tea | | 128883 | 12 1 |
| Bills Receivable in hand | | 5725 | 14 4 |
| Investments in British and Colonial Government Securities, London County & Railway Preference Stocks at cost (Market value at 21st Dec., £63355) | | 70652 | 4 7 |
| Expenditure in connection with the establishment of a Direct Trading Business (which has been abandoned) | | 263758 | 19 2 |
| NOTE—No provision has been made for Contingent Liability in respect of Properties sub-leased. | | | |
| Cash at Bankers and in hand | | 3775 | 4 5 |
| | £ | 1147231 | 17 - |

## Dr. Profit & Loss Account for the year ending 21st December, 1909. Cr.

| | £ | s | d. |
|---|---|---|---|
| To Managing Director's and Chairman's Remuneration and Directors' Fees | 2300 | - | - |
| ,, Remuneration of Trustees for Debenture Stock Holders | 210 | - | - |
| ,, Secretarial and Legal Charges | 1173 | 13 | 9 |
| ,, Depreciation and Income Tax | 7634 | 5 | 7 |
| ,, Interest and Loans | 2361 | 2 | 2 |
| ,, Interest on Debentures | 8021 | 17 | 6 |
| ,, Guarantors of Lease Indemnity Fund | 400 | - | - |
| ,, Balance carried to Balance Sheet | 47422 | - | 9 |
| £ | 69522 | 19 | 9 |

| | | £ | s. | d. |
|---|---|---|---|---|
| By Amount brought forward from Profit and Loss Account, 1908 | | 39521 | 8 | 1 |
| *Less* Dividend paid Mar., 1909—Preference ... £13300 | | | | |
| Dividend paid September, 1909—Preference | 5700 | 19000 | - | - |
| | | 20521 | 8 | 1 |
| ,, Transfer Fees | | 72 | - | - |
| ,, Dividends and Interest on Investments | | 2217 | 17 | 10 |
| ,, Profits from Trading Account | | 46711 | 13 | 10 |
| £ | | 69522 | 19 | 9 |

# THE LEEDS FIRECLAY COMPANY, LIMITED.

**Report.**—The Directors beg to submit to the Shareholders the Twenty-second Annual Balance Sheet of the Company, for the twelve months ending June 30th, 1911.

The Building Trade of the country has shown no improvement during the year. The Company's turnover has been slightly below that of the previous twelve months, and the results have been adversely affected by the severe competition in one branch of the business. The prevailing conditions render it impossible, for the time being, to continue the payment of premiums for the Redemption of the Debentures of the Company, and the Directors have therefore accepted £15752 14s. 9d., being the Surrender Value of past premiums. The Directors report with regret that the response to the appeal made a year ago for funds to erect the suggested New Works in Leeds was insufficient to enable them to commence with a scheme so necessary for the welfare of the Company. The Trading Profits for the year amount to £10630 5s. 11d., to which is to be added the Balance from last year, £766 19s. 7d., making £11397 5s. 6d. The Debenture interest absorbs £12000, and £4121 9s. 4d. has been written off as Depreciation of Investments, leaving an Adverse balance of £4724 8s. 10d.

Mr. W. Harriman Allen and Mr. W. Porritt Ingham are the retiring Directors, and, being eligible, offer themselves for re-election. Messrs. Beevers & Adgie, the retiring Auditors, also offer themselves for re-election.

## Balance Sheet, 30th June, 1911.

| Liabilities. | £ | s. | d. |
|---|---|---|---|
| SHARE CAPITAL:— | | | |
| 60000 6% Preference Shares, £10 each, fully paid £600000 | | | |
| 40000 Ordinary Shares, £10 each, fully paid 400000 | | | |
| | 1000000 | - | - |
| 3000 4% First Debentures of £100 each | 300000 | - | - |
| Debenture Interest accrued but not due | 2060 | - | - |
| Unclaimed Dividends | 125 | 6 | 7 |
| Sundry Creditors | 20653 | 3 | 11 |
| Reserve Fund | 40000 | - | - |
| Beckett & Co., Leeds | 13047 | 7 | 2 |
| Amount from Appropriation Account | 11028 | 10 | 11 |
| (*Cumulative Preference Dividend, Seven years in arrear*). | | | |
| £ | 1386854 | 8 | 7 |

| Assets. | £ | s. | d. |
|---|---|---|---|
| Freeholds, Buildings, Fixed Machinery, &c. | 718121 | - | - |
| Leaseholds, Buildings, Fixed Machinery, &c. | 39421 | - | - |
| Expenditure on New Works Account (including Land and New Pit) | 16316 | - | - |
| Reserve Fund Investment— | | | |
| Freeholds, Minerals and Buildings | 39292 | - | - |
| Investments in Shares, &c., of other Companies and Freehold Properties | 276438 | - | - |
| Movable Plant, Horses, Wagons, Carts, Office Fittings, &c. | 30528 | - | - |
| Debenture Discount Account | 3939 | 5 | - |
| Minerals paid for, but not yet worked | 3387 | 3 | 8 |
| Stock-in-Trade, including Stores | 180214 | 4 | 8 |
| Sundry Debtors, *Less* Discounts | 78907 | 5 | 3 |
| Cash in hand | 290 | 10 | - |
| £ | 1386854 | 8 | 7 |

## Dr. Appropriation Account. Cr.

| | £ | s. | d. |
|---|---|---|---|
| To Debenture Interest | 12000 | - | - |
| ,, Depreciation of Investments | 4121 | 9 | 4 |
| ,, *Amount to Balance Sheet* | 11028 | 10 | 11 |
| | £27150 | - | 3 |

| | £ | s. | d. |
|---|---|---|---|
| By Amount from last year | 766 | 19 | 7 |
| ,, Balance from Profit and Loss Account | 10630 | 5 | 11 |
| ,, Debenture Redemption Sinking Fund (*Policies Surrendered*) | 15752 | 14 | 9 |
| | £27150 | - | 3 |

# THE CASTNER-KELLNER ALKALI COMPANY, Limited.

## Dr. Profit & Loss Account for the year to 30th September, 1909. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Directors', Trustees' and Auditors' Fees ..... £2255 14 3 | | By Balance of Trading Account ..... | 137452 6 2 |
| ,, Rent, Salaries, Legal Charges and Head Office Expenses..... 1186 12 - | 3442 6 3 | ,, Transfer Fees ..... | 144 15 - |
| ,, Balance carried down ..... | 134154 14 11 | | |
| £ | 137597 1 2 | £ | 137597 1 2 |
| To Debenture Interest ..... | 9313 4 11 | By Balance brought down..... | 134154 14 11 |
| ,, Balance carried to Balance Sheet..... | 124841 10 - | | |
| £ | 134154 14 11 | £ | 134154 14 11 |

## Balance Sheet on 30th September, 1909.

| Liabilities. | £ s. d. | Assets. | £ s. d. |
|---|---|---|---|
| CAPITAL Subscribed— | | Purchase of Patents..... | 125000 - - |
| 450000 Shares of £1 each, fully paid ..... | 450000 - - | Land, Buildings, Plant and Machinery ..... | 537180 3 7 |
| 4½% First Mortgage Debenture Stock— | | Purchase of Aluminium Company, Ltd. ..... | 189491 14 2 |
| Issued ..... £250000 | | Sundry Debtors..... | 28875 18 8 |
| *Less* redeemed ..... 44631 | | Stock of Raw and Manufactured Materials... | 86912 1 1 |
| 205369 | | Investments (General Reserve A/c.) ..... | 12500 - - |
| *Add* Interest accrued ..... 1540 | 206909 - - | Other Investments ..... | 24921 19 10 |
| Creditors ..... | 44329 18 | Office Furniture and Fittings ..... | 474 - - |
| Unclaimed Dividends... | 133 13 4 | Cash at Bankers and in hand ..... | 60625 8 10 |
| Depreciation Reserve Account ..... | 190000 - - | Bills Receivable ..... | 4231 15 4 |
| General Reserve Account ..... | 12500 - | Suspense Account ..... | 1370 10 6 |
| PROFIT & LOSS ACCOUNT— | | | |
| Balance from last Account ..... £15369 10 6 | | | |
| *Add* Balance for year to date..... 124841 10 - | | | |
| 140211 - 6 | | | |
| *Less* Interim Dividend to 31st March, 1908 22500 - - | 117711 - 6 | | |
| £ | 1021583 12 - | £ | 1021583 12 - |

G. W. BALFOUR,
G. H. CLARKSON, } *Directors.*

REPORT of the AUDITORS to the Shareholders of the Castner-Kellner Alkali Company, Limited.

In accordance with the provisions of Section 113 of the Companies (Consolidation) Act, 1908, we report to the Shareholders as follows:—

1. We have audited the above Balance Sheet and have obtained all the information and explanations we have required.

2. We are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

36 Walbrook, London, E.C., 11th November, 1909.

C. F. KEMP, SONS & CO., *Auditors.*

# HOPE BROTHERS, LIMITED. Balance Sheet, 31st August, 1909.

| Capital and Liabilities. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| CAPITAL authorised and issued | | | | 600000 | - | - |
| 300000 5½% Cumulative Preference Shares of £1 each, fully paid | £300000 | | | | | |
| 300000 Ordinary Shares of £1 each, fully paid | 300000 | | | | | |
| Sundry Creditors on Open Account (including £1977 8 5 Benevolent Fund) | | | | 22279 | 2 | 6 |
| Unclaimed Dividends | | | | 102 | 12 | 11 |
| Sinking Fund for Redemption of Leases | | | | 8464 | 12 | - |
| Special Reserve Account, not divisible | £11798 | - | 6 | | | |
| Reserve Fund | 19000 | - | - | 30798 | - | 6 |
| PROFIT & LOSS ACCOUNT— | | | | | | |
| Amount brought forward from previous year | 4260 | 9 | 3 | | | |
| *Add* Balance as per Profit & Loss A/c., being Net Profit for year to date | 35271 | 16 | 2 | | | |
| | 39532 | 5 | 5 | | | |
| *Less* Interim Dividends paid— | | | | | | |
| On Preference Shares | £8250 | | | | | |
| On Ordinary Shares | 6000 | 14250 | - | 25282 | 5 | 5 |
| | | | £ | 687926 | 13 | 4 |

| Assets. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Cash at Bank on | | | | | | | | | |
| Current Accounts | 7418 | 10 | 7 | | | | | | |
| On Deposit | 17050 | - | - | 24468 | 10 | 7 | | | |
| In hand | | | | 2287 | 4 | 10 | 26755 | 15 | 5 |
| Sundry Debtors, *less* Reserve for Bad and Doubtful Debts | | | | | | | 4237 | 5 | 7 |
| Stock at or under cost as per certificates of the Company's Officials | | | | | | | 175301 | - | 1 |
| Freehold, Copyhold and Leasehold Premises, Shop Fittings, Fixtures, &c., as on 31st August, 1908, with alterations and additions since made | 209344 | 6 | 1 | | | | | | |
| *Less* written off Alterations, &c., and for Depreciation of Shop Fittings, Fixtures, &c. | 5240 | 5 | 5 | 204104 | - | 8 | | | |
| Goodwill | | | | | | | 275072 | 16 | 6 |
| Rent, Rates and Taxes, Insurance, &c., paid in advance | | | | | | | 2455 | 15 | 1 |
| | | | | | | £ | 687926 | 13 | 4 |

# Dr. Profit & Loss Account for the year ending 31st August, 1909. Cr.

| | £ | s. | d. |
|---|---|---|---|
| To Directors' Fees | 895 | 16 | 8 |
| ,, Salaries of Managing Directors and Directors | 2733 | 6 | 8 |
| ,, Audit Fee | 400 | - | - |
| ,, Advertising | 5290 | 17 | 11 |
| ,, Balance, being net profit for the year as per Balance Sheet | 35271 | 16 | 2 |
| | £ 44591 | 17 | 5 |

| | £ | s. | d. |
|---|---|---|---|
| By Profit after payment of Expenses and after provision for Depreciation and Sinking Fund for Redemption of Leases | 44591 | 17 | 5 |
| | £ 44591 | 17 | 5 |

## JOHN CROSSLEY & SONS, LIMITED. Balance Sheet, 4th December, 1909.

| Liabilities. | £ s. d. | Assets. | £ s. d. |
|---|---|---|---|
| CAPITAL:— | | Freeholds, Plant, Stock-in-Trade, Book Debts, Minerals, &c., including amount of Interim Dividend paid 5th August, 1909, per contra | 1164184 11 7 |
| 118797 Cumulative 5% Preference Shares, £5 each, fully paid £593985 | | | |
| 118797 Ordinary Shares, £2 each fully paid 237594 | 831579 - - | | |
| Reserve Fund | 207000 - - | | |
| Liabilities, Book Debts, &c. | 85348 10 - | | |
| PROFIT brought forward from last year's account £992 17 3 | | | |
| Profit from 5th December, 1908, to this date 39264 4 4 | 40257 1 7 | | |
| £ | 1164184 11 7 | £ | 1164184 11 7 |
| To Interim Dividend on Preference Shares paid 5th August, 1909 | 14849 12 6 | By Balance brought down | 40257 1 7 |
| „ Proposed Dividend of 2/6 per Share on the Preference Shares, which with the Interim Dividend of 2/6 per Share, paid 5th August, 1909, is equal to 5% per annum for the past year | 14849 12 6 | | |
| „ Proposed Dividend of 1/8 per Share on the Ordinary Shares | 9899 15 - | | |
| „ Amount proposed to be carried to next year's account | 658 1 7 | | |
| | £40257 1 7 | | £40257 1 7 |

## EDWIN WALKER & COMPANY, LIMITED. Balance Sheet, 31st July, 1909.

| Capital and Liabilities. | | £ s. d. | Assets. | £ s. d. |
|---|---|---|---|---|
| NOMINAL CAPITAL, £100000, divided into— 2000 6% Cumulative Preference Shares of £10 each and 8000 Ordinary Shares of £10 each. | | | Book Debts, Bills Receivable, Cash in Bank and in hand, Investments, &c. | 34794 3 10 |
| *Issued*— | | | Plant & Machinery, Warehouse and Office Furniture, Stock-in-Trade, Goodwill, &c. | 65283 4 4 |
| 2000 Preference Shares fully paid up | 20000 - - | | | |
| 5007 Ordinary Shares fully paid up | 50070 - - | 70070 - - | | |
| First Mortgage Debentures bearing 4¾% interest | | 20000 - - | | |
| Sundry Creditors | | 3553 6 10 | | |
| Reserve Fund | | 4600 - - | | |
| PROFIT & LOSS A/c.:— | | | | |
| Balance from last year's account | 150 8 - | | | |
| Profit for the year | 5256 12 - | | | |
| | 5407 - - | | | |
| *Less*—Income Tax 116 8 - | | | | |
| Directors' Remuneration 1400 - - | | | | |
| Interest on Debentures to 31st July, 1909 899 17 4 | | | | |
| Dividend on Preference Shares for twelve months to 31st July, 1909 1136 13 4 | 3552 18 8 | 1854 1 4 | | |

# LEVER BROTHERS, LIMITED.

## Balance Sheet, 31st December, 1909.

| Liabilities. | £ s. d. | £ s. d. |
|---|---|---|
| SHARE CAPITAL, Authorised— | | |
| 200000 5% first Preference Shares of £10 each | £2000000 | |
| 100000 5% "A" Preference Shares of £10 each | 1000000 | |
| 100000 6% "B" Preference Shares of £10 each | 1000000 | |
| 200000 Ordinary Shares of £10 each | 2000000 | |
| | £6000000 | |
| *Issued*— | | |
| 5% first Preference Shares 200000 fully paid | | 2000000 - - |
| 5% "A" Preference Shares 100000 fully paid | | 1000000 - - |
| 6% "B" Preference Shares 25000 fully paid | | 250000 - - |
| Ordinary Shares 175000 fully paid | £1750000 - - | |
| 25000 £4 paid | 100000 - - | 1850000 - - |
| | | 5100000 - - |
| Reserve Fund | 324641 16 5 | |
| Depreciation Fund | 292882 13 11 | |
| Insurance Reserve | 38451 14 7 | 655976 4 11 |
| Creditors—Bills Payable | 154975 5 - | |
| Open Accounts | 287106 14 - | 442081 19 |
| Note—There are contingent liabilities on bills discounted and on account of Associated Companies and for calls on shares. No loss is anticipated upon any of these Accounts. | | |
| PROFIT & LOSS ACCOUNT— | | |
| Balance carried down for the year ending 31st December, 1909, including interest £32952 - 6 charged Prosperity Sharing Account | | 545482 10 2 |
| | £ | 6743540 14 1 |

| Assets. | £ s. d. |
|---|---|
| Cash at Bankers and in hand | 188711 7 10 |
| Debenture and Shares of Associated Companies and Investments | 2828306 9 5 |
| Debtors | 362725 8 - |
| Stock less Advertising Reserve | 810589 16 1 |
| Freehold Works, Premises and Plant | 2190224 4 6 |
| Leasehold Premises and Plant | 108888 17 7 |
| Interim Dividends paid and other amounts written off below | 254094 10 8 |
| £ | 6743540 14 1 |
| By Balance brought down | 545482 10 2 |

| | £ s. d. |
|---|---|
| To Repairs, Renewals and Alterations | 44923 2 3 |
| „ Depreciation Fund | 48351 19 4 |
| „ Insurance Reserve | 9160 17 3 |
| „ Prosperity Sharing with Employees including Village Institutions Account and Dividend on Co-Partnership Certificates | 42434 6 5 |
| „ Dividend on 5% first Preference Shares | 100000 - - |
| „ Dividend on 5% "A" Preference Shares | 50000 - - |
| „ Dividend on 6% "B" Preference Shares | 15000 - - |
| „ Dividend on Ordinary Shares at the rate of 12½ per cent. per annum | 231250 - - |
| „ Balance carried to Reserve Fund | 4362 4 11 |
| £ | 545482 10 2 |

# J. LYONS &

## Balance Sheet,

### Capital & Liabilities.

| | £ s. d. | £ s. d. | £ s. d. |
|---|---|---|---|
| CAPITAL Authorised— | | | |
| 400000 Ordinary Shares of £1 each | | 400000 - - | |
| 500000 £5 % Cumulative Preference Shares of £1 each | | 500000 - - | |
| | | £900000 - - | |
| CAPITAL Issued— | | | |
| 331000 Ordinary Shares of £1 each, fully paid | | | 331000 - - |
| 500000 £5% Cumulative Preference Shares of £1 each, fully paid | | | 500000 - - |
| LIABILITIES— | | | |
| First Mortgage Debenture Stock at £4% | | 300000 - - | |
| Accrued Interest on ditto, less tax | | 2850 - - | |
| £4½% Debenture Stock | | 125000 - - | |
| Accrued Interest on ditto, less tax | | 1335 18 9 | |
| Trade & Other Creditors, & Credit Balances | | 137365 - 4 | |
| Dividends Unclaimed | | 529 18 4 | 567080 17 5 |
| RESERVE | | | 480000 - - |
| PROFIT & LOSS ACCOUNT— | | | |
| Balance as per last Account | | 121267 13 8 | |
| *Less* Final Dividend on Ordinary Shares for half-year ending March 31st, 1908, at the rate of £40% per annum | 66200 - - | | |
| Transferred to Reserve | 40000 - - | | |
| Proportion of Preference Share Dividend to 31st March, 1908 | 8333 6 8 | 114533 6 8 | |
| | | 6734 7 - | |
| Balance from Accounts for the year ending 31st March, 1909 | | 202773 14 8 | |
| | | 209508 1 8 | |
| *Less* Preference Dividend from date of last Balance Sheet to 30th November, 1908 | 16666 13 4 | | |
| Interim Dividend on Ordinary Shares already paid for half-year ending 30th September, 1908, at the rate of £25% per annum | 41375 - - | 58041 13 4 | 151466 8 4 |
| | | | £2029547 5 9 |

## Dr. Profit & Loss Account for

| | £ s. d. |
|---|---|
| To Salaries, Wages, Rents, Rates, Repairs, Maintenance, Horsekeep and other Expenses | 681454 4 11 |
| ,, Balance carried down | 287851 11 11 |
| | £969905 16 10 |
| To Depreciation | 67452 17 3 |
| ,, Debenture Stock Interest | 17625 - - |
| ,, Balance carried to Balance Sheet | 202773 14 8 |
| | £287851 11 11 |

## COMPANY. Limited.

31st March, 1909.

### Property and Assets.

| | £ s. d. | £ s. d. |
|---|---|---|
| Freehold Land and Buildings and Leasehold Premises, Fixtures, &c., as last year (after depreciation) and subsequent outlay, including expenditure on uncompleted work ..... | 1125380 14 2 | |
| *Less* Estimated Depreciation for the year ..... | 22010 - 6 | 1103370 13 8 |
| Outlay for sundry installation expenses ..... | 9245 16 4 | |
| *Less* written off ..... | 4261 - 4 | 4984 16 - |
| Goodwill, as per last Account ..... | | 39189 10 - |
| Stock-in-Trade, as per Inventories, &c., at cost or under ..... | | 247946 10 1 |
| Sundry Debtors (after providing for bad and doubtful debts) and other debit balances ..... | | 54754 1 4 |
| Insurances, Rents, &c., paid in advance, and Deposits on Stocks in Bond ..... | | 42778 14 11 |
| Plant, Machinery, Fittings, Ovens, &c., as last year (after depreciation) and subsequent outlay..... | 299222 17 9 | |
| *Less* Estimated Depreciation for the year ..... | 45442 16 9 | 253780 1 - |
| Sundry Investments and Secured Loans and Interest accrued after providing an Estimated Depreciation ..... | | 202918 17 - |
| Cash at Bankers on Current and Deposit Account, and in hand ..... | | 79824 1 9 |
| | | £2029547 5 9 |

the year ending 31st March, 1909.

**Cr.**

| | £ s. d. |
|---|---|
| By Gross Profit on Trading, &c., after deducting special Exhibition Expenses, to 31st March, 1909 ..... | 962734 8 - |
| ,, Interest and Transfer Fees, &c. ..... | 6571 8 10 |
| | £969305 16 10 |
| By Balance being Profit for the year ending 31st March, 1909 ..... | 287851 11 11 |
| | £287851 11 11 |

## WILLIAM WHITELEY,

**Dr.** **Profit & Loss Account,**

| | £ s. d. | £ s. d. |
|---|---|---|
| To Depreciation :— | | |
| On Machinery, Plant, &c. | 7085 - - | |
| „ Horse Renewals Account | 1349 15 6 | |
| „ Leasehold Buildings | 1771 4 - | 10205 19 6 |
| „ Directors' and Auditors' Fees and Trustees' Remuneration ... | | 3467 10 - |
| „ Income Tax Account | | 700 - - |
| „ Balance carried to Balance Sheet | | 93579 15 10 |
| | £ | 107953 5 4 |

## Balance Sheet

| Liabilities. | £ s. d. | £ s. d. |
|---|---|---|
| SHARE CAPITAL :— | | |
| 4½ % Cumulative Preference Shares | 450000 - - | |
| Ordinary Shares | 450000 - - | |
| Management Shares | 100 - - | 900100 - - |
| 4 per cent. First Mortgage Irredeemable Debenture Stock | | 900000 - - |
| Interest accrued on Debenture Stock | | 16620 - - |
| Deposits and Current Account (Banking Dept.)... | | 107642 - 3 |
| Trade and other Creditors | 85428 12 6 | |
| Accrued Charges and Sundry Credit Balances | 14090 14 5 | 99519 6 11 |
| Reserve Account | | 90000 - - |
| Special Reserve in respect of Hanworth properties | | 40000 - - |
| PROFIT & LOSS A/C. :— | | |
| Balance from 14th February, 1909 | 15477 9 4 | |
| Balance for year, as above | 93579 15 10 | |
| | 109057 5 2 | |
| *Less*— | | |
| Int. on Deb. Stock for the year... £36000 - - | | |
| Dividend on Pref. Shares for first six months | 10125 - - | |
| Amount carried to Reserve A/c. ... | 10000 - - | |
| Amount added to Reserve against Depreciation of Investments | 598 8 3 | 56723 8 3 | 52333 16 11 |
| | | £2206215 4 1 |

**LIMITED.**

Year to 14th February, 1910. **Cr.**

| | £ s. d. |
|---|---|
| By Profit on Trading Account after making provision for Bad and Doubtful Debts | 93584 10 10 |
| ,, Rents Receivable Account | 5362 14 11 |
| ,, Dividends on Investments | 5388 18 7 |
| ,, Interest | 3019 6 - |
| ,, Transfer Fees | 648 - - |
| £ | 107958 5 4 |

14th February, 1910.

| Assets. | £ s. d. | £ s. d. |
|---|---|---|
| Freehold Land and Buildings | | 958569 11 7 |
| Leasehold Buildings, Goodwill, &c., Amount at 14th February, 1909 | 279246 13 7 | |
| *Less* Depreciation of Leasehold Bldgs. for the year | 1771 4 - | 277475 9 7 |
| Plant, Machinery, Fixtures, Fittings, &c., (including Glass Houses at Hillingdon Nurseries, and Growing Fruit Trees at Hanworth Farm) as per last Balance Sheet | 171017 17 4 | |
| Additions during year | 3477 14 11 | |
| | 174495 12 3 | |
| *Deduct* Depreciation applicable to this account for the year £7085 - - | | |
| Working Plant transferred 1845 - - | 8930 - - | 165565 12 3 |
| Working Plant and Utensils Account | | 33668 11 7 |
| Horses, Harness, Motor Vans and Vehicles, as per Inventories and Managers' Valuations | | 24605 - 6 |
| Advances on Mortgage | | 33223 - - |
| Stock-in-Trade, at cost or under, as certified by Managers | | 243649 19 6 |
| Book Debts and Sundry Debit Balances, including Debts on Deferred Payments, less reserve for Discounts and Doubtful Debts | | 247119 1 11 |
| Investments, at cost or under, viz. :— | | |
| Colonial and Foreign Government and Corporation Stocks | 40335 3 - | |
| Foreign Railway Debentures and Stocks | 40265 16 3 | |
| Debenture Stocks and Shares of Investment, Electric Light, and Industrial Companies | 53066 15 10 | |
| | 133667 15 1 | |
| *Deduct* Amount in reserve against Depreciation... | 8500 - - | 125167 15 1 |
| Cash at Bankers and in hand | | 97171 2 1 |
| | | £2206215 4 1 |

## WILLIAM WHITELEY, LIMITED.

**Directors.**

WILLIAM WHITELEY, *Chairman.* JOHN LAWRIE, *General Manager.*
CHARLES T. BAZELL. HENRY MASON.
COURTAULD THOMSON. FRANK E. WHITELEY.

**Secretary and Offices—**
F. G. DANN, 39 Westbourne Grove, W.

### REPORT of the DIRECTORS & STATEMENT of ACCOUNTS

To be submitted to the Twelfth Ordinary General Meeting of the Members to be held at 147 Queen's Road, London, W., on Thursday, the 7th day of April, 1910, at 12 o'clock noon.

The Directors herewith submit their Report and the Accounts for the year ended 14th February, 1910.

It will be seen from the Profit and Loss Account that the Profit on Trading Account amounts to £93534 10s. 10d. To this sum must be added the receipts from Rents Receivable, Dividends on Investments, Interest and Transfer Fees, bringing up the total to the credit of Profit and Loss Account to £107953 5s. 4d. Against this are charged Depreciation for the year, Directors' and Auditors' Fees and Trustees' Remuneration and Income Tax, leaving a balance of profit of .. £93579 15 10

To this figure must be added the balance from the previous year ..... 15477 9 4

Making the total balance of Profit....£109057 5 2

The Interest on the Debenture Stock for the year requires £36000, and the Dividend on the 4½ per cent. Preference Shares for the first half-year absorbs £10125.

The Directors have placed a further sum of £10000 to the Reserve Account, bringing up the amount to £90000. They have also added a sum of £598 8s. 3d. to the Reserve against Depreciation of Investments, making up the amount to £8500.

After deducting the above amounts there remains a balance o £52333 16s. 11d., which the Directors recommend should be appropriated as follows :—

| | |
|---|---|
| To pay the Dividend of 4½ per cent. per annum on the Preference Shares for the second half-year ..... | £10125 – – |
| To pay a Dividend, at the rate of 5½ per cent. per annum, on the Ordinary Shares for the year ..... | 24750 – – |
| To pay the proportion of Profit due to the Management Shares..... | 2006 15 – |
| To carry forward the balance of ..... | 15452 1 11 |
| | £52333 16 11 |

The retiring Directors are Mr. William Whiteley and Mr. Henry Mason, who, being eligible, offer themselves for re-election.

The Auditors, Messrs. Torquand, Youngs & Co., also offer themselves for re-election.

39 Westbourne Grove,
London, W.,
*22nd March*, 1910.

WILLIAM WHITELEY,
C. T. BAZELL,
} *Directors.*
F. G. DANN, *Secretary.*

# THE SAVOY HOTEL, Limited.

## Profit & Loss Account for the year ended 31st December, 1909.

*(Including the Grand Hotel, Rome, for the 1908-9 Season, and the other undertakings owned by the Company).*

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To consumption of Provisions, Wines, Spirits, Cigars, etc. | 204253 15 8 | By Head Hotel and Restaurant Receipts | 569344 6 8 |
| „ Wages, Salaries, Electric Light, Fuel, Rent, Rates and Taxes, Repairs and Renewals, Washing, Advertising, Music, Stationery, Liveries, Insurance, Trustees' and Directors' Fees (including Fees for Claridge's), Professional Charges, etc. | 231027 1 4 | „ Rents Receivable, Advertisement Letterings, Electric Light Supply, Interest, &c. | 29355 2 1 |
| | | „ Transfer Fees | 56 10 - |
| „ Balance | 163475 1 9 | | |
| | £598755 18 9 | | £598755 18 9 |
| To Interest on Debenture Issues, Mortgages, etc. | 95159 6 4 | By Balance brought down | 163475 1 9 |
| „ Sinking Fund for Redemption of Mortgage on Grand Hotel, Rome £1929 11 2 | | | |
| „ Sinking Fund for Redemption of Mortgages on Berkeley Hotel... 2781 1 7 | | | |
| „ Sinking Fund for Redemption of Mortgage on Claridge's Hotel... 3839 19 11 | | | |
| „ Sinking Fund for Five-and-a-half per cent. Redeemable Debentures 5250 - - | | | |
| „ Reserve for Doubtful Debts ..... 2000 - - | | | |
| „ Depreciation of Machinery ..... 2500 - - | | | |
| „ Special Improvements ..... 2100 - - | | | |
| „ General Reserve ..... 15000 - - | 35400 12 8 | | |
| „ Balance carried to Balance Sheet ..... | 32915 2 9 | | |
| | £163475 1 9 | | £163475 1 9 |

Approved on behalf of the Board, R. D'OYLY CARTE, *Chairman.*
G. REEVES-SMITH, *Managing Director.*
A. G. WARD, *Secretary.*

*Auditors' Report to the Shareholders of The Savoy Hotel, Ltd.*

We have examined the books and accounts of the Company for the year ending 31st December, 1909, and have obtained all the information and explanations we have required.

In our opinion the above Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, at 31st December, 1909, according to the best of our information and the explanations given us, and as shown by the books of the Company.

5 London Wall Buildings, E.C., *21st March, 1910.*

DELOITTE, PLENDER, GRIFFITHS & CO.,
(*Chartered Accountants Auditors*).

# THE SAVOY
## Balance Sheet,

| | £ s. d. | £ s. d. |
|---|---|---|
| SHARE CAPITAL, Authorised— | | |
| 25000 7% Preference Shares of £10 each | 250000 - - | |
| 37500 Ordinary Shares of £10 each | 375000 - - | |
| 62500 Shares | £625000 - - | |
| Issued— | | |
| 25000 7% Preference Shares of £10 each | 250000 - - | |
| 30780 Ordinary Shares of £10 each | 307800 - - | 557800 - - |
| 55780 Shares | | |
| DEBENTURES AND MORTGAGES— | | |
| 4% Perpetual Debenture Stock | 400000 - - | |
| 5% Debentures (1893) | 125000 - - | |
| 5% Debentures (1896) of the Savoy Hotel, Ltd., and the London and Foreign Hotel Syndicate, Ltd. | 140000 - - | |
| 5% (Strand) Debenture Stock | 482000 - - | |
| Mortgage on East Block, Strand | 300000 - - | |
| Mortgage on West Block, Strand | 100000 - - | |
| Mortgage on Grand Hotel, Rome ... 100000 - - | | |
| *Less* amount repaid ... 22350 10 6 | 77649 9 6 | |
| 5½% Redeemable Debentures ... 150000 - - | | |
| *Less* Debentures purchased and cancelled ... 28400 - - | 121600 - - | |
| 6% Redeemable Debentures, amount received on account of allotment of £60000 | 25407 14 - | 1771657 3 6 |
| NOTE.—The Trustees had £40 12s. 2d. in hand at 31st Dec., 1909, for further purchases of 5½% Debentures. | | |
| RESERVES AND MORTGAGE AND LOAN REDEMPTION FUNDS— | | |
| General Reserve | 42500 - - | |
| *Add* Transfer from Profit and Loss, 1900 | 15000 - - | |
| | 57500 - - | |
| Mortgage and Loan Redemption Funds (Grand Hotel, Rome) | 24018 2 8 | |
| Redemption Fund for 5½% Redeemable Debentures | 28440 12 2 | 109958 14 5 |
| CREDITORS & LOANS—including accrued Int.... | | 123663 - 5 |
| PROFIT & LOSS ACCOUNT—Undivided Profit to 31st December, 1908 | 7839 5 5 | |
| Balance, 1909 | 32915 2 9 | |
| | 40754 8 2 | |
| *Deduct* Interim Dividends paid | 16445 - - | 24309 8 2 |
| | | £2587388 6 6 |

## HOTEL, LIMITED.

31st December, 1909.

| | £ s. d. | £ s. d. |
|---|---|---|
| SAVOY HOTEL.—Cost of Freehold Land, Buildings, Furniture and Fittings, Electric Light Installation, Linen, China, Glass, Redemption of Land Tax, etc., Freehold of Strand Properties, Leasehold Interests, Licenses and Expenditure on Buildings, Plant, Machinery, etc., as per Accounts at 31st Dec., 1906 | 1859450 10 7 | |
| *Add* Expenditure in 1907 and 1908 | 27806 11 9 | |
| | 1887257 2 4 | |
| *Less* written off out of Reserves, etc., in 1907 & 1908 | 59606 16 9 | |
| As per Accounts to 31st Dec., 1908 | 1827650 5 7 | |
| *Add* Expenditure to 31st Dec., 1909, on Annexe, Restaurant Balcony, Ladies' Reading & Writing Room, Formation of New Suites, New Well, Furniture, &c. | 20234 17 5 | |
| | 1847885 3 - | |
| *Deduct* Final Dividend on Realisation of Investment in Worcester Building Co., Ltd. | 8799 9 3 | |
| *Less* Commission, Discount and Expenses on issue of 6% Redeemable Debentures | 1954 13 6 | |
| | 6844 15 9 | |
| Sale of Land, Savoy Buildings | 3000 - - | |
| Depreciation of Machinery | 2500 - - | |
| | 12344 15 9 | |
| | | 1835540 7 3 |
| GRAND HOTEL, ROME (Freehold), Cost of Undertaking and Assets of the London and Foreign Hotel, Syndicate, Limited | 225530 - - | |
| *Add* Expenditure since acquisition | 47724 6 7 | |
| | | 273254 6 7 |
| CLARIDGE'S HOTEL (Leasehold; Lease expires 1989.) —Cost of Share Capital of New Claridge's Hotel, Limited | | 150000 - - |
| (There are mortgage charges on this Property for £212218 15s. 4d., of which £187218 15s. 4d. is guaranteed by the Savoy Hotel, Ltd. A Sinking Fund is in operation to redeem £187218 15s. 4d. in 1936. Since the Shares were acquired further Capital Expenditure amounting to £12321 5s. 7d. has been made). | | |
| BERKELEY HOTEL (Leasehold; Lease expires 1959.)—Cost of £70000 Preference and £60000 Ordinary Share Capital of Berkeley Hotel Co., Limited | | 100000 - - |
| (There are mortgage charges on this property guaranteed by the Savoy Hotel, Limited for £88949 14s. 0d., originally £100000 and for £22275, originally £30250. Sinking Funds are in operation to redeem the Balance of the £100000 in 1940, and £30250 in 1926. Since the Shares were acquired further Capital Expenditure on account of Extensions amounting to £68681 3s. 7d. has been made). | | |
| Stocks and Debtor Balances after providing for Doubtful Debts | | 110205 4 9 |
| Temporary Investment at Cost | | 9103 18 6 |
| Cash at Bankers, in hand with Trustees | | 79284 9 5 |
| | | £2587388 6 6 |

# THE CUNARD STEAMSHIP COMPANY, LIMITED.

## Dr. Revenue A/c., for the year ended 31st December, 1909. Cr.

| Expenditure. | £ | s. | d. | Income. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To Working Expenses for the year:— Coals, Wages, Superannuation Fund, Provisions, Ship and Engine Stores, Port and General Charges | 1755044 | 11 | 11 | By Passage-Moneys, Freights, Mail-Moneys, &c. | 2820577 | 12 | 9 |
| ,, Office and Agency Expenses at Home and Abroad | 99002 | 13 | 8 | ,, do. do. Through Charges repaid by the Company ... £541856 - 5 | | | |
| ,, Charitable Subscriptions and Donations | 316 | 9 | 1 | | | | |
| ,, Law Expenses | 2848 | 6 | 4 | | | | |
| ,, Directors' Fees | 5000 | - | - | | | | |
| ,, Auditors' Fees | 735 | - | - | | | | |
| ,, 2¾% Mortgage Debenture Stock Trustees' Fees | 630 | - | - | | | | |
| ,, 4½% Mortgage Debenture Stock Trustees' Fees | 420 | - | - | | | | |
| | 1863997 | 1 | - | | | | |
| To Repairs and Renewals:— Amount of Repairs and Maintenance of Fleet | 210101 | 11 | 10 | | | | |
| ,, Insurance:— Amount of Premiums paid | 97062 | 3 | 10 | | | | |
| ,, Profit and Loss Account:— Balance transferred | 649416 | 16 | 1 | | | | |
| £ | 2820577 | 12 | 9 | £ | 2820577 | 12 | 9 |

## Dr. Profit & Loss A/c., for the year ended 31st December, 1909. Cr.

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To Income Tax | 175 | 3 | 8 | By Balance from 1908 | 3582 | 6 | 8 |
| ,, Interest—General Account | 4906 | 15 | 1 | ,, Revenue Account—Balance transferred | 649416 | 16 | 1 |
| ,, do. on 2¾% Mortgage Debenture Stock | 67489 | 2 | 11 | ,, Sundry Receipts | 11003 | 10 | - |
| ,, do. on 4½% Mortgage Debenture Stock and part cost of issue and of Discount written off | 61360 | 19 | 8 | | | | |
| ,, Depreciation of Ships—Amount transferred | 370320 | 8 | 4 | | | | |
| ,, ,, of Wharf, Properties, &c.—Amount transferred | 6163 | 9 | 8 | | | | |
| ,, Insurance Fund—Amount transferred | 66598 | 9 | 8 | | | | |
| ,, Reserve Fund—Amount transferred | 80000 | - | - | | | | |
| ,, Balance carried down | 6988 | 3 | 9 | | | | |
| £ | 664002 | 12 | 9 | £ | 664002 | 12 | 9 |

## Dr. Insurance Fund. Cr.

| 1909. | £ | s. | d. | 1909. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Dec. 31 To Claims and Expenses | 66598 | 9 | 8 | Jan. 1 By Balance from 1908 | 400000 | - | - |
| ,, ,, Balance | 400000 | - | - | Dec. 31 ,, Profit & Loss | 66598 | 9 | 8 |

## Reserve Fund.

| 1909 | £ | 1909 | £ |
|---|---|---|---|
| Dec. 31—To Balance | 230000 | Jan. 1—By Balance from 1908 | 150000 |
| | | Dec. 31— „ Profit & Loss | 80000 |
| | £230000 | | £230000 |

## General Balance Sheet, 31st December, 1909.

| Liabilities. | £ s. d. | £ s. d. |
|---|---|---|
| SHARE CAPITAL:—Authorised, | | |
| 100000 Shares of £20 each..... £2000000 | | |
| The Government Share ..... 20 | | |
| £2000020 | | |
| SUBSCRIBED, | | |
| 60000 Shares of £20 each, fully paid ..... 1200000 | | |
| 40000 Shares of £20 each, £10 paid ..... 400000 | | |
| The Government Share issued pursuant to powers conferred by the Articles of Association ..... 20 | 1600020 - - | |
| RESERVES:— | | |
| Insurance Fund ..... 400000 | | |
| Reserve Fund ..... 230000 | 630000 - - | |
| 2¾% Mortgage Debenture Stock held by Government | 2340000 - - | |
| Interest accrued (since paid)..... | 32175 - - | |
| 4½% Mortgage Debenture Stock ..... | 1600000 - - | |
| Sundry Creditors (including amount received for pre-paid Passage Moneys)..... | 348333 - 10 | |
| Bills Payable (chiefly on account of New Ship) ..... | 68099 1 3 | |
| PROFIT & LOSS ACCOUNT—Balance ..... | 6988 3 9 | |
| *Note.—There is a liability on Contract for new Steam Ship.* | | |
| £ | 6625615 5 10 | |

| Assets. | £ s. d. | £ s. d. |
|---|---|---|
| Reduced Book Value of Fleet at 31st December, 1908 ..... | 5808624 - - | |
| *Add* Amount on account of New Steam Ships, &c..... | 107091 8 4 | |
| | 5915715 8 4 | |
| *Less* Book Value of "Lucania," "Slavonia," and Ships sold ..... | 279564 - - | |
| | 5636151 8 4 | |
| *Deduct* Depreciation for Year 1909 | 370320 8 4 | 5265831 - - |
| Reduced Book Value of Wharf Properties, Engine Works, Erections, Plant, Fixed Machinery, Furniture, Moorings, and Freehold Offices, Cockspur St., London, 31st Dec., 1908 | 156751 - - | |
| *Less* Sundries during year ..... | 287 10 4 | |
| | 156463 9 8 | |
| *Deduct* Depreciation for year 1909 | 6163 9 8 | 150300 - - |
| Movable Plant and Machinery, Stocks of Wharf Materials, Stores and Coals ..... | | 96925 7 |
| Ships' Pending Voyages ..... | | 62950 8 - |
| Freight, Forwarding and other Charges outstanding | | 23248 - - |
| Sundry Debtors (including Agents and Branch Balances) ..... | | 161429 15 4 |
| Discount on Mortgage Debenture Stock, *Less* Proportion written off ..... | | 94148 3 5 |
| £250000 Company's 4½% Mortgage Debenture Stock | | 250000 - - |
| Cash in hand, at Bankers and on Deposit ..... | | 336344 6 10 |
| Cash at Bankers in names of the Trustees for the Mortgage Debenture Stock Holders ..... | | 184488 6 1 |
| £ | | 6625615 5 10 |

# THE IMPERIAL TOBACCO COMPANY

## Balance Sheet on

### Liabilities.

| | £ s. d. | £ s. d. |
|---|---|---|
| CAPITAL AUTHORISED:— | | |
| 6000000 5½% Cumulative Preference Shares | 6000000 - - | |
| 6000000 6% Non-Cumulative Preferred Ordinary Shares | 6000000 - - | |
| 3000000 "A" Deferred Ord. Shares (10% Non-Cumulative) | 3000000 - - | |
| 3000000 "B" Deferred Ordinary Shares | 3000000 - - | |
| | £18000000 - - | |
| CAPITAL ISSUED:— | | |
| 4959249 5½% Cumulative Preference Shares | | 4959249 - - |
| 5260469 6% Non-Cumulative Preferred Ordinary Shares | | 5260469 - - |
| 2638218 "A" Deferred Ord. Shares (10% Non-Cumulative) | | 2638218 - - |
| 2638218 "B" Deferred Ordinary Shares | | 2638218 - - |
| | | £15496154 - - |
| 4½% First Mortgage Debenture Stock (repayable at the Company's option by 6 months' notice at any time after 31st December, 1911, at £105 per £100) | | 2065011 - - |
| Provision for Premium of 5% payable on Redemption of Debenture Stock | | 103250 - - |
| Accrued Interest on Debenture Stock | | 29095 6 8 |
| Creditors and Credit Balances | | 876478 16 2 |
| Bills Payable and Drafts in transit | | 60010 15 9 |
| Provision for Pensions, &c. | | 515362 9 3 |
| General Reserve Account | | 1750000 - - |
| PROFIT & LOSS ACCOUNT:— | | |
| Net Trading Profit and Transfer Fees | 2193541 9 9 | |
| *Less:* | | |
| Interest, Management Remuneration, &c. 231356 5 7 | | |
| Provision for Pensions, &c. 100000 - - | | |
| Amount written off Freehold Buildings in addition to normal depreciation 100000 - - | | |
| Transfer to General Reserve 250000 - - | 681356 5 7 | |
| Balance for the year (per Profit & Loss A/c.) | 1512185 4 2 | |
| Balance at 31st October, 1908, after deducting Customers' Bonuses to that date | 120218 7 - | |
| | £1632403 11 2 | |
| *Deduct:* Interim Dividends paid: | | |
| On 5½% Cumulative Pref. Shares 136379 7 - | | |
| On 6% Non-Cumulative Preferred Ordinary Shares 157814 1 5 | | |
| On 10% Non-Cumulative "A" Deferred Ordinary Shares 131910 18 - | 426104 6 5 | 1206299 4 9 |
| | | £22161661 12 7 |

## (of Great Britain and Ireland) LIMITED.

31st October, 1909.

### Assets.

| | £ | s. | d. |
|---|---|---|---|
| Land, Buildings, Plant & Machinery at cost, less Amounts written off..... | 1963922 | 15 | 4 |
| Goodwill and Patent Rights ..... | 9445704 | 16 | 11 |
| Investments in Associated Companies ..... | 1168986 | 1 | 6 |
| Stock-in-Trade, under cost ..... | 4401336 | 15 | 6 |
| Debtors, *less* Reserve for Discounts and Doubtful Debts ..... | 1597378 | 11 | 11 |
| Payments on account of Leaf in transit, unexpired Insurances, &c. ..... | 102800 | 6 | 1 |
| Bills Receivable ..... | 2412 | 19 | 7 |
| Investments in Government, County Council and Corporation Stocks and Debentures, Railway Debenture and Preference Stocks, valued at published prices at date ..... | 2499664 | 8 | 7 |
| Corporation Loans not officially quoted, and Deposits for short periods against security ..... | 399881 | - | - |
| Cash at Bankers on Deposit and Current Account, and in hand ..... | 579571 | 2 | 2 |
| | £22101661 | 12 | 7 |

# THE IMPERIAL TOBACCO COMPANY (of Great Britain and Ireland), LIMITED.

## Dr. Profit & Loss Account for the year ending 31st October, 1909. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Directors' & Trustees' Fees and Management Remuneration | 97462 5 6 | By Net Trading Profit and Interest and Dividends on Investments (including Dividends from Companies operating outside the United Kingdom), Loans and Bank Deposits, after providing for Depreciation of Buildings, Plant, Machinery and Investments, &c., Working Exs., Head Office & Registration Charges | 2192986 - 9 |
| ,, Interest paid and accrued on Debenture Stock | 87762 19 4 | | |
| ,, Reserve for Income Tax | 46131 - 9 | | |
| | 231356 5 7 | | |
| ,, Provision for Pensions | 100000 - - | | |
| ,, Amount written off Freehold Buildings in addition to normal depreciation | 100000 - - | | |
| ,, Transfer to General Reserve Account | 250000 - - | | |
| ,, Balance carried to Balance Sheet | 1512185 4 2 | ,, Transfer and other Fees | 555 9 - |
| £ | 2193541 9 9 | £ | 2193541 9 9 |

## Dr. Appropriation A/c. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Dividends on 5½ per cent. Cumulative Preference Shares :— | | By Balance from last Account ..... £200781 7 4 | |
| Interim Dividend to 30th April, 1909, paid 1st August, 1909 ..... £136379 7 - | | *Less* Bonus to Customers, paid thereout ..... 80563 - 4 | 120218 7 - |
| Half-year's Dividend to 31st October, 1909, paid 1st February, 1910 ..... 136379 7 - | 272758 14 - | ,, Balance from Profit & Loss Account for the year ..... | 1512185 4 2 |
| ,, Dividends on 6% Non-Cum. Preferred Ordy. Shares :— | | | |
| Interim Dividend to 30th April, 1909, paid 1st September, 1909 ..... 157814 1 5 | | | |
| Half-year's Dividend to 31st October, 1909, payable 1st March, 1910 ..... 157814 1 5 | 315628 2 10 | | |
| ,, Dividends on 10% Non-Cum. "A" Deferred Ordy. Shs. :— | | | |
| Interim Dividend to 30th April, 1909, paid 1st September, 1909 ..... 131910 18 - | | | |
| Half-year's Dividend to 31st October, 1909, payable 1st March, 1910 ..... 131910 18 - | 263821 16 - | | |
| ,, Dividends on "B" Deferred Ordinary Shares :— | | | |
| Proposed Dividend of 10% for the year (free of Income Tax) ..... 263821 16 - | | | |
| Proposed Bonus of 2/- per sh. (free of Inc. Tax) 263821 16 - | 527643 12 - | | |
| ,, Bonus to Customers for the half-year to 30th April, 1909, paid 14th January, 1910 ..... | 70152 5 6 | | |
| ,, Bal. to be carried to next Account (including Reserve for Bonus to Customers, half-year ended 31st Oct., 1909) ... | 182899 - 10 | | |

# THE LONDON CITY & MIDLAND BANK, LIMITED.

## Balance Sheet, 31st December, 1909.

| Liabilities. | £ s. d. | £ s. d. |
|---|---|---|
| Capital Paid up, viz. :— | | |
| £12 10 - per Share on 303928 Shares of £60 each | 3799100 - - | |
| Reserve Fund | 3419190 - - | |
| Dividend payable on 1st February, 1910 | 341919 - - | |
| Balance of Profit & Loss A/c., as below | 179740 - 3 | |
| | 7739949 - 3 | |
| Current, Deposit & other Accounts | 69644519 16 5 | |
| Acceptances on account of Customers | 5128918 - 7 | |
| £ | 82513386 17 3 | |

| Assets. | £ s. d. | £ s. d. |
|---|---|---|
| Cash and Bullion in hand and at Bank of England | 13063799 19 9 | |
| Money at Call and at Short Notice | 9868195 15 1 | 22931995 14 10 |
| Investments :— | | |
| Consols and other British Government Securities (of which £396780 Consols is lodged for Public A/cs.) | 3901252 4 9 | |
| Stocks Guaranteed by the British Government, Indian Stocks, Indian Railway Guaranteed Stocks and Debentures | 572420 - - | |
| British Railway Debenture and Preference Stocks, British Corporation Stocks | 2744922 6 10 | |
| Colonial and Foreign Government Stocks and Bonds | 1071507 18 - | |
| Sundry Investments | 608200 8 5 | |
| | | 8988302 18 - |
| Bills of Exchange | | 6795327 3 9 |
| | | 38715625 16 7 |
| Advances on Current Accounts, Loans on Security and other A/cs. | | 36897233 3 4 |
| Liabilities of Customers for Acceptance as per contra | | 5128918 - 7 |
| Bank Premises, at Head Office and Branches | | 1771609 16 9 |
| | | £ 82513386 17 3 |

## Dr. Profit & Loss Account, for the half-year ending 31st December, 1909. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Dividend payable 1st February, 1910, being at the rate of 18 per cent. per annum | 341919 - - | By Balance from last Account | 179912 8 1 |
| ,, Bank Premises Redemption Fund | 20000 - - | ,, Net Profits for the half-year ending 31st December, 1909, after providing for all Bad and Doubtful Debts | 372746 12 2 |
| ,, Officers' Pension Fund | 5000 - - | | |
| ,, Balance carried forward to next account | 179740 - 3 | | |
| £ | 546659 - 3 | £ | 546659 - 3 |

EDWARD H. HOLDEN, *Chairman and Managing Director.*
W. G. BRADSHAW, *Deputy-Chairman.*
AIREDALE, } Directors.
J. A. CHRISTIE, }

REPORT of the AUDITORS to the Shareholders of the London City and Midland Bank, Limited.

In accordance with the provisions of Sub-section 2 of Section 113 of the Companies (Consolidation) Act, 1908, we report as follows:

We have examined the above Balance Sheet in detail with the books at Head Office and with the certified Returns from the Branches. We have satisfied ourselves as to the correctness of the Cash Balances and the Bills of Exchange and have verified the correctness of the Money at Call and Short Notice. We have also verified the Securities representing the Investments of the Bank, and having obtained all the information and explanations we have required, we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

London, *8th January, 1910.*

WHINNEY, SMITH & WHINNEY, Chartered Accountants,
*Auditors.*

# THE NOVEL PUBLISHING COMPANY, LIMITED.

## Balance Sheet on 30th June, 1910.

| Liabilities. | £ s. d. | Assets. | £ s. d. | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| SHARE CAPITAL Issued and Paid-up 6005 Shares of £5 each | 30025 - - | Machinery, Plant & Type | 1125 5 8 | | |
| Sundry Creditors :— | | *Less* Depreciation @ 5% per annum | 56 5 3 | 1069 - 5 | |
| Bank Overdraft | 1867 13 7 | *Additions* for the year | | 2 4 4 | 1071 4 9 |
| On Open Accounts £1454 6 7 | | Engine, Boiler & Shafting | | 527 19 3 | |
| *Less* Reserve for Discount 54 2 2 | 1400 4 5 | *Less* Depreciation @ 5% per annum | | 26 8 - | 501 11 3 |
| | | Fixtures, Fittings & Furniture | | 740 10 4 | |
| | | *Less* Depreciation at 5% per annum | | 37 - 6 | 703 9 10 |
| | | Half-Tone Blocks, Electros, Drawings and Copyrights | 297 19 5 | | |
| | | *Less* Depreciation @ 12½% per annum | 37 4 10 | 260 14 7 | |
| | | *Additions* for the year | | 122 8 10 | 383 3 5 |
| | | Stereotype Plates and Brass Stamps Labour A/c. | 1403 1 10 | | |
| | | *Less* Depreciation @ 12½% per annum | 175 7 8 | 1227 14 2 | |
| | | *Additions* for the year | | 308 16 9 | |
| | | Value of Labour | | 1536 10 11 | |
| | | Metal A/c. | | 811 12 6 | 2348 3 5 |
| | | Stock of :—Materials | | 170 4 6 | |
| | | Sewn Books | | 664 - 2 | |
| | | Sheet Books | | 2992 17 10 | |
| | | Cases finished and unfinished | | 123 9 6 | |
| | | Bound Books | | 920 14 2 | |
| | | Waste Gold | | 5 - - | 4876 6 2 |
| | | Cash in hand | | | 1 14 4 |
| | | Sundry Trade Debtors | | 2765 8 4 | |
| | | *Less* Estimated Discount and Provision for Bad and Doubtful Debts @ 5% | | 260 7 5 | 2505 - 11 |
| | | PROFIT & LOSS A/c., 30th June, 1909 | | 20121 15 8 | |
| | | *Add* Net Loss for the year | | 780 8 3 | 20902 3 11 |
| £ | 33292 18 - | | | £ | 33292 18 - |

839

# GEORGE NEWNES, LIMITED.

NOMINAL CAPITAL £1000000. **Balance Sheet,** 30th June, 1909.

| Liabilities. | | £ s. d. | Assets. | £ s. d. |
|---|---|---|---|---|
| CAPITAL Issued— | | | Copyrights and Goodwill (balance of cost as at formation of Company) | 647500 - - |
| 500000 5% Cumulative Preference Shares of £1 each, fully paid | £500000 - - | | Leasehold Buildings in Southampton Street and Exeter Street, Strand; Furniture, Fixtures, &c. (at cost, less depreciation) | 50119 - - |
| 400000 Ordy. Shs of £1 ea., fully pd. | 400000 - - | 900000 - - | Machinery and Plant (at cost, less depreciation) | 23674 13 4 |
| Reserve Funds | | 12500 - - | Investments (at cost) | 7500 - - |
| Creditors—Sundry Accounts | | 75584 14 4 | Ditto. Reserve Fund (at cost) | 12500 - - |
| PROFIT & LOSS ACCOUNT— | | | Shares in other Companies (at par) | 72900 - - |
| Balance from last Account | 2297 1 5 | | Cash Balances | 45471 15 9 |
| Net Profit for the year | 30381 12 5 | | Sundry Debtors | 105350 9 5 |
| | 32678 13 10 | | New Publications, Advertising, &c. | 3631 - - |
| *Less* Dividend on Preference Shs. (paid 1st Jan., 1909)... £12500 | | | Stock on hand | 34616 9 8 |
| *Less* Interim Div. on Ordy. Shs. for half year ending 31st December, 1908 (paid 16th February, 1909) ..... 5000 | 17500 - - | 15178 13 10 | | |
| | £ | 1003263 8 2 | £ | 1003263 8 2 |

**Dr.** **Profit & Loss Account** for twelve months ending 30th June, 1909. **Cr.**

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Dividend on Preference Shares (paid 1st July, '08) | 12500 - - | By Balance brought forward from 30th June, 1908 | 20797 1 5 |
| ,, Dividend on Ordy. Shares (paid 7th Aug., 1908)... | 6000 - - | | |
| ,, Balance carried down | 2297 1 5 | | |
| | £20797 1 5 | | £20797 1 5 |
| To Dividend on Pref. Shares (paid 1st January, 1909) | 12500 - - | By Balance brought down | 2297 1 5 |
| ,, Interim Dividend on Ordinary Shares at the rate of 2½% per annum for the half-year ending 31st December, 1908 (paid 16th February, 1909) ..... | 5000 - - | ,, Net Profit for the twelve months ending 30th June, 1909, after writing off depreciation on Machinery, Buildings, &c. | 30381 12 5 |
| ,, Balance carried forward | 15178 13 10 | | |
| | £32678 13 10 | | £32678 13 10 |

FRANK NEWNES,
ALFRED JOHNSON, } *Directors.*

HORACE COLE, A.C.I.S.,
*Secretary.*

# LEEDS PUBLIC COCOA HOUSES COMPANY, LIMITED.

## Balance Sheet on 30th September, 1909.

| Capital & Liabilities. | £ s. d. | £ s. d. | Assets. | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| Capital called up on 9053 Shares at 17/6 per Share | £7921 7 6 | | Land, Buildings, Furniture, and Utensils of Trade as at 30th September, 1908... | 10063 1 6 | |
| Calls received in advance | 27 - | 7948 7 6 | *Less* Sales | 11 10 - | 10051 11 6 |
| Yorkshire Penny Bank Loan on Mortgage | 3000 - | | Sundry Debtors | | 13 - - |
| *Less* Cash on Deposit | 130 3 6 | 2869 16 6 | Bills Receivable | | 50 - - |
| Sundry Creditors | | 83 9 - | Cash at Bank | | 80 12 - |
| Deposit on Valuation | | 100 - - | Cash in hand | | 3 2 3½ |
| | | | Profit & Loss A/c. as at 30 Sept., 1908... | 670 4 2½ | |
| | | | *Add* Loss this year | 133 3 - | 803 7 2½ |
| | £ | 11001 13 - | | £ | 11001 13 - |

## Dr. Profit & Loss Account for year ending 30th September, 1909. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Provisions, Wages, Rates, Fuel, Repairs and General Expenses | 1922 13 2½ | By Receipts to 20th May, 1909 | 1841 12 8½ |
| ,, Interest | 113 13 6 | ,, Transfer Fees | 2 6 |
| ,, Directors' Fees (voted at last Annual Meeting)... | 21 - - | ,, Rent Receivable | 98 - - |
| ,, Expenses, re transfer of business | 15 11 6 | ,, LOSS for year | 133 3 - |
| £ | 2072 18 2½ | £ | 2072 18 2½ |

On behalf of the Board, J. JACKSON, FRED COATES.

REPORT of the AUDITORS to the Shareholders of the Leeds Public Cocoa Houses Company, Limited.

We have audited the Balance Sheet of the Leeds Public Cocoa Houses Company, Limited, dated the 30th day of September, 1909, above set forth. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and explanations given us, and as shown by the books of the Company.

26 Park Row, Leeds, 29th October, 1909.

BEEVER & ADGIE,
*Chartered Accountants.*

# TAYLORS' DRUG COMPANY, LIMITED. Balance Sheet, 30th September, 1908.

| Capital & Liabilities. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| NOMINAL CAPITAL— | | | | | | |
| 50000 6% Cumulative Preference Shares, £1 each | £50000 | - | - | | | |
| 50000 Ordinary Shares, £1 each | 50000 | - | - | | | |
| | £100000 | - | - | | | |
| SUBSCRIBED CAPITAL— | | | | | | |
| 38202 fully paid Preference Shares | 38202 | - | - | | | |
| 30000 fully paid Ordinary Shares | 30000 | - | - | 68202 | - | - |
| Loans upon Mortgage of the Freehold and Leasehold Properties of the Company with Int. to 30 Sept., 1908 | | | | 41974 | 8 | 8 |
| Debentures with Interest to 30th September, 1908 | | | | 30375 | - | - |
| Sundry Creditors | | | | 22640 | 11 | 1½ |
| Reserve Account, 1907 | 12600 | 11 | 1 | | | |
| Proportion Profits 1907 added | 2081 | 2 | 7 | 14681 | 13 | 8 |
| PROFIT & LOSS ACCOUNT— | | | | | | |
| Balance from 1907 | 630 | 8 | 2½ | | | |
| Profit this year as per Account | 6805 | 17 | 11 | 7436 | 6 | 1½ |
| Preference Dividend paid for year to 30th September, 1908 | 2292 | 2 | 5 | | | |
| Interim Dividend on Ordinary Shares at 5%, paid 31st July, 1908 | 1500 | - | - | 3792 | 2 | 5 |
| | | | | 3644 | 3 | 8½ |
| | | | £ | 181517 | 17 | 2 |

| Property & Assets. | £ | s. | d. |
|---|---|---|---|
| Cash in hand | 1405 | 10 | 1½ |
| Sundry Debtors | 898 | 11 | 6½ |
| Shares in other Companies at last year's values | 262 | 10 | - |
| Stock in Leeds and Branches, certified at or under cost | 72174 | 4 | 9 |
| Freehold & Leasehold Properties. Plant and Fixtures as in 1907 | 103988 | 8 | 5 |
| Purchases this year | 2788 | 12 | 4 |
| | 106777 | - | 9 |
| | £ | 181517 | 17 | 2 |

841

## Dr. Profit & Loss Account for the year ended 30th September, 1908. Cr.

| | £ | s. | d. | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| To Repairs and Renewals of Plant and Fixtures | 2085 | 18 | 4½ | By Profit from Trade Acount | 12326 | 16 | 4 |
| ,, Managing Director's Salary | 1000 | - | - | ,, Rents received | 1095 | 2 | 10½ |
| ,, Income Tax Account Balance | 302 | 2 | 6 | ,, Interests received from Investments | 23 | 7 | 11 |
| ,, Interest on Mortgages, Debentures, &c. | 3255 | 15 | 10 | ,, Transfer Fees | 4 | 7 | 6 |
| | 6643 | 16 | 8½ | | | | |
| ,, Net Profit for the year | 6805 | 17 | 11 | | | | |
| | £13449 | 14 | 7½ | | £13449 | 14 | 7½ |

WM. B. MASON,
EDWARD FLETCHER, } *Directors.*

REPORT of the AUDITORS to the Shareholders of Taylors' Drug Company, Limited.

We beg to report that we have obtained all the information and explanations that we have required, and we have examined the above Balance Sheet, dated 30th September, 1908, with the books of the Company, and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

Leeds, *1st December, 1908.*

LEE & WHITFIELD,
*Chartered Accountants,* } *Auditors.*

## BARRETT'S BREWERY & BOTTLING COMPANY, LTD.

**Dr.** **Profit & Loss A/c.** for the year ending 31st December, 1902. **Cr.**

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Stock on hand at 1st January, 1902 .... | 62436 2 7 | By Sales Net..... | 134280 1 10 |
| ,, Purchases since, Net, including Duty on Beer ..... | 84342 12 7 | ,, Dividends on Investments ..... £360 19 9 | |
| ,, Salaries & Wages, Rents, Rates & Taxes | 25155 8 9 | ,, Transfer Fees ..... 12 17 6 | 373 17 3 |
| ,, Repairs & Renewals, Stable & General Exs., Fuel, Advertising, Travelling, &c. | 19268 19 - | ,, Stock on hand at 31st December, 1902 ..... 65181 6 6 | |
| ,, Bad Debts written off ..... | 676 1 4 | *Less* Depreciation .... 1032 5 5 | 64149 1 1 |
| ,, Balance carried down ..... | 6923 15 11 | | |
| | £198803 - 2 | | £198803 - 2 |

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Depreciation, &c. | | By Balance brought down..... | 6923 15 11 |
| ,, Horses, Plant & Machinery, Stoppers, &c. ..... | 2393 12 11 | | |
| ,, Leasehold Redemption Fund..... | 179 3 2 | | |
| ,, Balance (Net Profit for the year carried down) ..... | 4350 19 10 | | |
| | £ 6923 15 11 | | £ 6923 15 11 |

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Directors' Fees ..... | 350 - - | By Balance brought forward from 1901 A/c..... | 278 11 9 |
| ,, Auditors' Fees ..... | 75 - - | ,, Net Profit for the year ending 31st December, 1902, brought down .... | 4350 19 10 |
| ,, Balance to Balance Sheet ..... | 4204 11 7 | | |
| | £ 4629 11 7 | | £ 4629 11 7 |

**Balance Sheet** as at 31st December, 1902.

| Liabilities. | | £ s. d. | Assets. | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| CAPITAL:—Amount authorised | | | Freehold Property | | 84702 18 2 |
| 60000 5% Preference Shares of £2 10 each | 150000 | | Leasehold Property | | 15017 17 1 |
| 60000 Ordinary Shares of £2 10 each | 150000 | | Goodwill | | 85000 - - |
| 120000 | £300000 | | Trade Investments at cost | | 7360 - - |
| | | | Sundry Debtors | | 21110 1 9 |
| Amount issued:— | | | Cash at Bank and in hand | 9264 8 2 | |
| 50000 5% Preference Shares of £2 10 each, fully paid | 125000 | | Do. (on deposit) | 6000 - - | 15264 8 2 |
| 50000 Ordinary Shares of £2 10 each, fully paid | 125000 | 250000 - - | C. Hopkinson & Sons in Liquidation:— | | |
| 100000 | | | Balance due | 1036 17 4 | |
| | | | *Less* Transferred from Reserve Fund | 500 - - | 536 17 4 |
| Loan | | 25000 - - | Plant & Machinery:— | | |
| Sundry Creditors | | 26576 6 8 | Amount as per last A/c. £7112 2 10 | | |
| Reserve Fund:— | | | *Add* Subsequent Outlay 360 3 3 | 7472 6 1 | |
| Amount as per last Account | £18500 | | *Less* Depreciation | 186 16 2 | 7285 9 11 |
| Less Amount written off C. Hopkinson & Sons in Liquidation | 500 | 18000 - - | Stock at 31st December, 1902 | 65181 6 6 | |
| | | | *Less* Depreciation | 1032 5 5 | 64149 1 1 |
| Leasehold Redemption Fund | | 1815 7 1 | Casks, Horses, Vans, &c. | | 12003 16 - |
| PROFIT & LOSS A/c.: Balance as per A/c. | | 4204 11 7 | Stoppers & Rubbers | 13396 8 6 | |
| | | | *Less* Depreciation | 662 17 6 | 12733 11 - |
| | | | Office Furniture & Fixtures | | 432 4 10 |
| | £ | 325596 5 4 | | £ | 325596 5 4 |

# THE BLACKPOOL TOWER COMPANY, LIMITED.

## Dr. Revenue A/c. for the year ending 30th September, 1895. Cr.

| To Expenditure :— | £ s. d. | By Receipts :— | £ s. d. |
|---|---|---|---|
| Salaries, Wages, Tower & Circus Orchestras & Variety Artistes ... | 16268 1 2 | Admissions, Rents, &c. ..... | 53106 11 10 |
| Advertising, Printing & Stationery, Programmes, Posting ..... | 1686 13 8 | | |
| Chief Rents, Rates, Taxes, Income Tax, Insurance & Licenses ..... | 2301 13 2 | | |
| Electric Light, Gas & Water ..... | 1659 10 9 | | |
| Carriage, Cartage, Coals, Stores & Materials ..... | 767 1 4 | | |
| Travelling Expenses, Telegrams & Stamps ..... | 301 3 3 | | |
| Directors' Remuneration ..... | 600 - - | | |
| Miscellaneous Charges & Expenses ..... | 781 2 9 | | |
| Stage Properties, Repairs, Maintenance of Building, Painting, &c. | 1264 13 8 | | |
| Animals & Plant purchased ..... | 707 16 3 | | |
| Animals' Food & Sea Water for Tanks ..... | 854 1 8 | | |
| Spirits, Wines, Beer, Cigars & Minerals consumed during year ... | 4264 16 8 | | |
| Legal Expenses ..... | 260 4 2 | | |
| Balance carried to General Profit & Loss A/c. ..... | 21389 13 4 | | |
| £ | 53106 11 10 | £ | 53106 11 10 |

## Dr. General Profit & Loss Account. Cr.

| To Interest Account :- | £ s. d. | £ s. d. | By | £ s. d. |
|---|---|---|---|---|
| Interest on Mortgage of £30000 to 30th September ..... | 1160 - - | | Balance brought down, being Gross Profit for the year to date | 21389 13 4 |
| Interest on Debentures up to 30th September ..... | 4387 17 2 | | | |
| Bank Interest and Commission ..... | 111 4 5 | 5659 1 7 | | |
| „ Depreciation as under :— | | | | |
| Fixed and Loose Plant, Electric Light & Furniture... | 2000 - - | | | |
| Aquarium Animals, Tanks & Fittings ..... | 1500 - - | | | |
| Gas Plant, Heating & Cooking Apparatus ..... | 363 2 - | 3863 2 - | | |
| „ Preliminary & Formation Expenses & Development— Amount written off ..... | | 1905 5 - | | |
| „ Reserve Fund :— | | | | |
| Amount set aside this year ..... | | 1500 - - | | |
| Balance being Net Profit for the year carried down ..... | | 8462 4 9 | | |
| £ | | 21389 13 4 | £ | 21389 13 4 |
| „ Balance being total Profit carried to Balance Sheet ..... | | 8812 15 4 | By Balance brought down being Net Profit for the year ..... | 8462 4 9 |
| | | | „ Balance of Profit brought forward 30th September, 1894 ..... | 350 10 7 |
| £ | | 8812 15 4 | £ | 8812 15 4 |

## Balance Sheet, 30th September, 1895.

| Capital & Liabilities. | | £ s. d |
|---|---|---|
| NOMINAL CAPITAL— | | |
| 40000 6% Preferred Ordy. Shares of £1 ea. | £40000 | |
| 105000 Ordinary Shares of £1 each ..... | 105000 | |
| 5000 Founders' Shares of £1 each ..... | 5000 | |
| 150000 | 150000 | |
| CAPITAL ISSUED & SUBSCRIBED— | | |
| 6% Preferred Ordinary Shares— | | |
| 40000 Shares of £1 each, fully called... | 40000 - - | |
| *Less* 81 Shares forfeited ..... | 81 - - | 39919 - - |
| Ordinary Shares— | | |
| 105000 Shares of £1 each, fully called... | 105000 - - | |
| *Less* 901 Shares forfeited ..... | 901 - - | 104099 - - |
| Founders' Shares— | | |
| 5000 Shares of £1 each, fully called ... | 5000 - - | |
| *Less* 215 Shares forfeited ..... | 215 - - | 4785 - - |
| Total paid up Share Capital ..... | | 148803 - - |
| Corporation of Blackpool Mortgage of Land and Buildings ..... | | 30000 - - |
| Debentures Issued and Subscribed— | | |
| 1400 "A" Debentures of £50 ea., fully called ..... | 70000 - - | |
| *Less* Arrears ..... | 90 - - | 69910 - - |
| 600 "B" Debs. of £50 each, fully paid | 30000 - - | |
| *Less* Arrears ..... | 900 - - | 29100 - - |
| Sundry Creditors as per Ledger including Mortgage and Debenture Interest to date ..... | | 6127 19 - |
| Reserve Fund— | | |
| Amount set aside last year ..... | 500 - - | |
| Amount set aside this year ..... | 1500 - - | 2000 - - |
| PROFIT & LOSS ACCOUNT— | | |
| Balance as at 30th September, 1894 ..... | 5440 7 11 | |
| *Less* Div. declared & paid, Nov., 1894 | 5089 17 4 | |
| | 350 10 7 | |
| *Add* Profit for the year as per General Profit and Loss Account ..... | 8462 4 9 | 8812 15 4 |
| | £ | 294753 14 4 |

| Property & Assets. | £ s. d. | £ s. d. |
|---|---|---|
| Capital Expenditure as under— | | |
| Purchase of Property ..... | | 73404 10 5 |
| Construction Account ..... | 141778 2 2 | |
| *Add* Expenditure made during the yr. | 37291 10 11 | 179069 13 1 |
| Animals, Tanks, Fttgs., &c. in Aquar. | 5000 - - | |
| *Less* Depreciation written off ..... | 1500 - - | 3500 - - |
| Fixed & Loose Plant, Electric Light Furnishing, Furniture and Fittings... | 10934 18 9 | |
| *Add* Expen. during year | 8423 7 - | |
| | 19358 5 9 | |
| *Less* Depreciation written off ..... | 2000 - - | 17358 5 9 |
| Gas Plant, Heating and Cooking Apparatus ..... | 2400 - - | |
| *Add* Expen. during year | 1233 2 - | |
| | 3633 2 - | |
| *Less* Depreciation ..... | 363 2 - | 3270 - - |
| Formation & Preliminary Exs. A/c.... | 2910 6 11 | |
| Development Account ..... | 2193 17 4 | |
| | 5104 4 3 | |
| *Add* Expenditure during year ..... | 109 17 - | |
| | 5214 1 3 | |
| *Less* Cash recd. on Shs. forfeited this year ..... | 145 13 - | |
| Premium received on Shs. allotted this year | 1257 18 3 | |
| | 1403 11 3 | |
| | 3810 10 - | |
| *Less* amount written off ..... | 1905 5 - | 1905 5 - |
| Sundry Debtors and Prepaid Rates— As per Ledger Accounts ..... | | 1423 6 10 |
| Stock on hand— Wines, Spirits, Beer, Cigars, &c. ... | | 1631 2 10 |
| Cash— | | |
| Lancashire and Yorkshire Bank ... | 13136 6 8 | |
| Cash in hands of Manager & at Bars | 55 3 9 | 13191 10 5 |
| | £ | 294753 14 4 |

# THE ANGLO-FRENCH EXPLORATION COMPANY, LIMITED.

## Balance Sheet, 31st December, 1909.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| SHARE CAPITAL :— Authorised and Issued. | | Cash :— | |
| 500000 Ordinary Shares of £1 each, fully paid ... | 500000 - - | London—London Joint Stock Bank, Limited, on Current Account and on Dividend Accounts ... | 9677 6 11 |
| 500000 6 per cent. Cumulative Preference Shares of £1 each fully paid ..... | 500000 - - | South Africa—Standard Bank of South Africa, Limited, £15590 13s. 11d.; Petty Cash, £12 13s. 2d. ..... | 15603 7 1 |
| 1000000 Shares. | 1000000 - - | | 25280 14 - |
| Contracts for Purchase of Shares for delivery in January, 1910 ..... | 11040 15 6 | Advances against Securities, including Shares "taken-in" :— | |
| Creditors— | | London (available at short notice) ..... | 472150 11 2 |
| London ..... £6966 18 3 | | Contracts for Sales of Shares for delivery in January, 1910 ..... | 35337 4 - |
| South Africa ..... 1403 17 6 | 8370 15 9 | Temporary Investments in British Government and London County Stocks and Indian and Foreign Railway Securities ..... | 100005 15 6 |
| Dividend on Preference Shares for Half-year to 31st December, 1909, and Unclaimed Dividends (less Income Tax) ..... | 15241 11 4 | Debentures ..... | 42309 - - |
| Reserve Fund—Amount transferred from Appropriation Account for 1908 ..... 50000 - - | | Shares in Companies, Properties and Interests in South Africa ..... | 562160 4 3 |
| Add amount transferred from Appropriation Account for 1909 ..... 100000 - - | 150000 - - | Shares in Companies operating in other parts of the world, chiefly Australia ..... | 86817 15 5 |
| PROFIT & LOSS ACCOUNT balance subject on distribution to the percentages payable to the Managing Director in London, and to the Managing Director, Consulting Engineer and the Sub-Manager in South Africa pursuant to their Agreements ..... | 154808 11 6 | Loans—South Africa ..... | 5632 14 4 |
| | | Debtors :— | |
| | | London ..... £5384 1 - | |
| | | South Africa ..... 1920 19 5 | 7305 - 5 |
| | | Office Furniture and Fittings :— | |
| | | London ..... 844 11 6 | |
| | | South Africa ..... 1618 3 6 | 2462 15 - |
| NOTE. There are liabilities in respect of Shares and Loans partly paid and Interests amounting together to £69651 6s. 7d., of which £2704 3s. 4d., is recoverable from participants. | | | |
| £ | 1339461 14 1 | £ | 1339461 14 1 |

## Dr. Appropriation Account for the Year 1908. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Dividend on the Ordinary Shares for the year 1908 at the rate of 10% per annum declared 21st April, 1909 | 50000 - - | By Balance brought forward from 1908 | 147540 5 11 |
| „ Commissions on above Dividend, Managing Director, London, and Managing Director, Consulting Engineer, and Sub Manager, South Africa | 5065 1 4 | | |
| „ Amount Transferred to Reserve Fund | 50000 - - | | |
| „ Balance carried down to Appropriation A/c. 1909 | 42475 4 7 | | |
| £ | 147540 5 11 | £ | 147540 5 11 |

## Dr. Profit & Loss Account for the Year ending 31st December, 1909. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Directors' Fees | 1250 - - | By Dividends, Interest on Loans, Commissions and Sundry Credits | 53369 8 7 |
| „ Salaries, (including Managing Directors' Salaries), Rent, Audit Fees, and Travelling, Office and General Expenses, London and South Africa, less Transfer Fees, and amounts charged to other Companies | 11426 1 10 | „ Profits realised by Sales of Shares and Debentures, including £11108 13s. 1d. Profit on Sales for forward delivery | 250652 12 - |
| „ Cablegrams | 307 2 1 | | |
| „ Donations | 242 10 - | | |
| „ Premiums on Insurance of Office Staff—London (balance) | 314 2 2 | | |
| „ Realised losses and Amounts written off—London and South Africa | 48148 17 7 | | |
| „ Balance carried to Appropriation Account | 242333 6 11 | | |
| £ | 304022 - 7 | £ | 304022 - 7 |

## Dr. Appropriation Account for the Year 1909. Cr.

| | £ s. d. | | £ s. d. |
|---|---|---|---|
| To Six per cent. Preference Dividend | 30000 - - | By Balance brought down from Appropriation Account, 1908 | 42475 4 7 |
| „ Amount transferred to Reserve Fund | 100000 - - | „ Balance brought from Profit & Loss Account as above | 242333 6 11 |
| Balance carried to Balance Sheet | 154808 11 6 | | |
| £ | 284808 11 6 | £ | 284808 11 6 |

# CROWN MINES,

(FORMERLY CROWN DEEP, LIMITED

## Balance Sheet,

| Liabilities. | £ | s. | d. |
|---|---|---|---|
| CAPITAL ACCOUNT—Authorised | | | |
| Under resolutions of Special General Meeting held on 21st April, 1909 | | | |
| 2000000 shares of 10s. each | 1000000 | - | - |
| Less— | | | |
| 119788 shares of 10s. each in reserve | 59894 | - | - |
| Issu'd 1880212 shares of 10s. each. | 940106 | - | - |
| Made up as follows :— | | | |
| As per Balance Sheet 1st July, 1909, attached to Amalgamation Accounts— | | | |
| 1863012 shares of 10s. each £931506 | | | |
| Further issue to cover cost acquiring certain property and assets from the Paarl Ophir Gold Mining and Milling Company, Limited, under Board Minute dated 18th September, 1909— | | | |
| 17200 shares of 10s. each 8600 | | | |
| 1880212 shares of 10s. each £940106 | | | |
| Funds transferred from Appropriation Account— | | | |
| For expenditure on property, development and equipment for the six months ending 31st December, 1909, provided out of profits | 132052 | 10 | 6 |
| | 1072158 | 10 | 6 |
| Gold Reserve Account | 28767 | 1 | 1 |
| Sundry Creditors— | | | |
| On account of unpaid and unclaimed dividends, wages, stores, Government Tax on profits, etc. | 797834 | 17 | 5 |
| Balance of Appropriation Account— | | | |
| Unappropriated | 401245 | 7 | - |
| NOTES I.—There are further liabilities on account of shares subscribed for in other Companies as under, viz. :— | | | |
| Co-operative Exchange Yard, Ltd.— | | | |
| £64 per share uncalled on 209 shares £13376 | | | |
| Witwatersrand Native Labour Association, Ltd.— | | | |
| 8s. per share uncalled on 2200 shares £880 | | | |
| 14s. per share uncalled on 10240 shares 7168 | 8048 | | |
| Witwatersrand Co-operative Smelting Works, Ltd.— | | | |
| 12s. per share uncalled on 4270 shares 2562 | | | |
| £23986 | | | |
| I.—There are also contracts open for the supply of additional equipment, etc., and an undetermined liability to the French Government in respect of fiscal taxes. | | | |
| £ | 2300005 | 16 | - |

## LIMITED.

INCORPORATED IN THE TRANSVAAL.

31st December, 1909.

| Assets. | | | £ s. d. |
|---|---|---|---|
| Property, Development and Equipment— | | | |
| As per Balance Sheet and Amalgamation Account 1st July, 1909 ..... | | | 931506 - - |
| Add— | | | |
| Expended during the six months ending 31st December, 1909— | | | |
| Development ..... | £24437 8 2 | | |
| Equipment ..... | 106112 16 5 | £130550 4 7 | |
| Property and Assets acquired from the Paarl Ophir Gold Mining and Milling Co., Ltd. ..... | | 10102 5 11 | 140652 10 6 |
| | | | 1072158 10 6 |
| Shares in other Companies at cost— | | | |
| Co-operative Exchange Yard, Ltd.— | | | |
| 209 £80 shares, £16 per share paid ..... | | 3344 - - | |
| Rand Mutual Assurance Co., Ltd.— | | | |
| 940 £10 shares, fully paid ..... | | 9400 - - | |
| Witwatersrand Native Labour Association, Ltd.— | | | |
| 2200 £1 shares, 12s. per share paid ..... | £1320 - - | | |
| 10240 £1 shares, 6s. per share paid ..... | 3072 - - | | |
| | | 4392 - - | |
| Witwatersrand Co-operative Smelting Works, Ltd.— | | | |
| 4270 £1 shares, 8s. per share paid ..... | | 1708 - - | |
| | | 18844 - - | |
| Stores and Materials— | | | |
| In Stock ..... | 81503 13 7 | | |
| In Transit ..... | 2675 - 6 | | |
| | 84178 14 1 | | |
| Live Stock and Vehicles, &c. ..... | 4767 1 11 | | |
| Furniture ..... | 8256 8 9 | | |
| Bearer Share Warrants ..... | 2892 18 2 | 100095 2 11 | |
| Deposits fixed and on Call, bearing Interest | 769382 11 7 | | |
| Cash at Bankers and in hand ..... | 2171 17 7 | | |
| Gold Consignment Account ..... | 105155 7 7 | 876709 16 9 | |
| Investments— | | | |
| £40000 Transvaal Govmt. 3 per cent. stock | 38556 3 11 | | |
| £20000 Cape Government 4 per cent. stock | 20000 - - | | |
| £128071 3s. 2d. British 2½ per cent. Consols | 102456 18 - | | |
| £30550 13s. 8d. Johannesburg Municipal 4 per cent. stock ..... | 27495 12 - | | |
| £1450 Rand Mines, Ltd., 5 per cent. debs. | 1522 10 - | | |
| £3200 Mexico Electric Tramways Co., Ltd. 5 per cent. debentures ..... | 2880 - - | 192911 3 11 | |
| Sundry Debtors and Payments in Advance ..... | | 39287 1 11 | 1227847 5 6 |
| | | £ | 2300005 16 - |

## CROWN MINES, LIMITED. (Formerly Crown Deep, Limited.) INCORPORATED IN THE TRANSVAAL.

**Dr. Working Expenditure and Revenue Account** for the Year ending 31st December, 1909. **Cr.**

| | £ s. d. | £ s. d. |
|---|---|---|
| To Mining Expenses— | | |
| Mining | 462935 13 11 | |
| Developing | 57977 5 2 | 520912 19 1 |
| ,, Reduction Expenses | | 213439 11 7 |
| ,, General Expenses—Mine | | 48432 6 6 |
| ,, General Expenses—Head Office— | | |
| Salaries, Agency Fees and Rent | 8514 16 5 | |
| Stationery, Printing, Advertising, Postages and Telegrams | 1509 12 9 | |
| Directors' and Auditors' Fees | 6530 10 - | |
| Licenses | 4552 12 6 | |
| Sundry | 3816 18 1 | |
| | £24924 9 9 | |
| *Less* Sundry Revenue | 6278 8 4 | 18646 1 5 |
| | | 801430 18 7 |
| CREDIT BALANCE on Working for the year carried down | | 846413 16 8 |
| | £ | 1647844 15 3 |
| To Credit Balance carried to Appropriation Account | | 885458 17 10 |
| | £ | 885458 17 10 |

| | £ s. d. |
|---|---|
| By Gold Account | 1647844 15 8 |
| | £ 1647844 15 8 |
| By Balance brought down | 846413 16 8 |
| ,, Interest | 21646 - 1 |
| ,, Mining Expenses— | |
| Amount charged to working costs, to provide for the cost of deepening this company's shafts, and paid for by South Rand G.M. Co., Ltd., now reversed by Amalgamation | 9100 - - |
| ,, Profit on Treatment of Accumulated Slimes | 5992 6 10 |
| ,, Profit on Dump Treatment | 957 10 2 |
| ,, Freehold Revenue | 709 5 2 |
| ,, Estates Revenue | 639 18 11 |
| £ | 885458 17 10 |

H. A. READ, *Secretary.* SAMUEL EVANS, *Chairman.* H. A. ROGERS, *Director.*

We have examined the above Balance Sheet with the books, accounts and vouchers of the Company. We beg to report that we have obtained all the information and explanations we have required and that, subject to confirmation of the Amalgamation Account and Balance Sheet dated 1st July, 1909, in our opinion this Balance Sheet contains the particulars required by the Company's Articles of Association and is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company. See our further report of even date.

Johannesburg, 3rd March, 1910.

C. L. ANDERSSON & CO., *Incorporated Accountants,* } *Auditors.*
HOWARD PIM, *Chartered Accountant,*

**Dr.** **Appropriation Account.** **Cr.**

| To | £ | s. | d. | By | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Expended on Capital Account— For the six months ending 31st Dec., 1909. | | | | Balance Unappropriated— | | | |
| On Property | 1502 | 5 | 11 | As per Balance Sheet, 31st December, 1908 | 279973 | 18 | 3 |
| On new works | 130550 | 4 | 7 | Balance of Working Expenditure and Revenue A/c. for the year ending 31st December, 1909 | 885458 | 17 | 10 |
| | 132052 | 10 | 6 | Balance of Appropriation and Profit & Loss Accounts Taken over from absorbed Companies, as per Amalgamation Account dated 1st July, 1909 | 323480 | 5 | 3 |
| Transvaal Government Taxes— For the year ending 31st December, 1909, under the Profits Tax Ordinance | 74149 | 16 | - | Langlaagte Deep, Ltd. £92017 10 10 | | | |
| | | | | Crown Reef G.M. Co., Ltd. 67489 4 8 | | | |
| Dividend Account— | | | | Robinson Central Deep, Ltd. 163923 9 9 | | | |
| Interim Dividend No. 16 of 70 per cent. on Issued Capital of £300000, declared 16th June, 1909 £210000 - - | | | | Dividends on Shareholdings— | | | |
| Interim Dividend No. 17 of 65 per cent. on Issued Capital of £940106 declared 10th December, 1909 611068 18 - | | | | Robinson Central Deep, Ltd.— Dividend No. 9 of 50 per cent. for the half-year ending 30th June, 1909 | 33851 | 10 | - |
| | 821068 | 18 | - | Expended on Shares (previous years)— Reversal of amount provided out of profits for Shares acquired up to 31st Dec., 1908, as per Balance Sheet ... 74675 5 6 | | | |
| Amalgamation and Liquidation Expenses— For the six months ending 31st Dec., 1909 | 14119 | 7 | 6 | Less — Expended on Capital Account— For the six months ending 30th June, 1909— | | | |
| Amount written off As per Amalgamation Account, 1st July, 1909 | 114352 | 6 | 3 | On new works £9169 7 5 | | | |
| | | | | On sinking incline shafts to southern boundary, provisionally charged to South Rand G.M. Co., Ltd., now taken over in view of amalgamation 31232 4 2 40401 11 7 | 34273 | 13 | 11 |
| Balance Unappropriated— Carried to Balance Sheet | 401245 | 7 | - | | | | |
| | | | | See contingent liability in Balance Sheet at 31st Dec., '08 | | | |
| £ | 1556988 | 5 | 3 | £ | 1556988 | 5 | 3 |

# WITWATERSRAND GOLD MINING COMPANY, LIMITED.

## Balance Sheet at 31st December, 1909.

| Liabilities. | £ | s. | d. |
|---|---|---|---|
| CAPITAL ..... | 425000 | - | - |
| 425000 Shares of £1 each, authorised and issued | | | |
| Dividend No. 11—17½ per cent. declared payable to Shareholders Registered at 31st December, 1909..... | 74375 | - | - |
| Unclaimed Dividends..... | 1588 | 7 | 1 |
| Native Wages in Suspense ..... | 5454 | 10 | 8 |
| Sundry Creditors ..... | 11303 | 3 | 1 |
| Transvaal Government ..... | 9438 | 16 | - |
| Profits Tax for 12 months to 31st December, 1909 (estimated). | | | |
| Appropriation Account ..... | 121921 | 10 | 4 |
| Balance unappropriated..... | | | |
| Contingent Liabilities:—Witwatersrand Native Labour Association, Ltd.—8s. per Share on 580 Shares, £232; 14s. per Share on 3740 Shares, £2618. Witwatersrand Co-operative Smelting Works, Ltd.—12s. per Share on 1040 Shares, £624. Total £3474. | | | |
| £ | 649081 | 7 | 2 |

| Assets. | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| Property ..... | | | | 130232 | 1 | - |
| 102263 Claims, Mynpacht, Werf, Water-rights Nos. 76 (or 27), 100, 101, and 170, Machine Stand and Freehold Portion of Farm Driefontain, No. 148. | | | | | | |
| Permanent Works, £69202 10s. 10d.; less Depreciation, £6920 5s. 1d. ..... | 62282 | 5 | 9 | | | |
| Machinery and Plant, £206173 6s.; less Depreciation, £20617 6s. 7d..... | 185555 | 19 | 5 | | | |
| Buildings, £61991 6s. 2d.; less Depreciation, £6199 2s. 7d. ..... | 55792 | 3 | 7 | | | |
| Dams and Reservoirs, £7419 5s. 7d.; less Depreciation, £5564 9s. 2d. ..... | 1854 | 16 | 5 | | | |
| Railway Siding, £7411 3s. 6d.; less Depreciation, £741 2s. 4d. ..... | 6670 | 1 | 2 | | | |
| Joint Hospital ..... | 336 | - | 4 | | | |
| Live Stock and Vehicles ..... | 231 | 13 | 6 | | | |
| Furniture..... | 240 | - | - | 312963 | - | 2 |
| Share Investments ..... | | | | 3611 | - | - |
| Stores on hand and in Transit..... | | | | 12298 | 17 | 5 |
| Native Recruiting..... | | | | 1327 | 12 | 2 |
| Sundry Debtors and Payments in advance..... | | | | 2841 | 10 | 8 |
| May Consolidated Co., Ltd..... | | | | 27000 | - | - |
| Gold in Transit..... | | | | 23145 | 14 | 2 |
| Cash on Deposit and Interest Accrued ..... | | | | 127993 | 13 | 1 |
| Cash at Bankers and Mine ..... | | | | 8667 | 18 | 6 |
| £ | | | | 649081 | 7 | 2 |

852

REPORT.

To the Shareholders, WITWATERSRAND GOLD MINING COMPANY, LTD.—We report that we have examined the above Balance Sheet with the Books and Vouchers of the Company in Johannesburg for the year ended 31st December, 1909, and have obtained all the information and explanations we have required as Auditors. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Company in Johannesburg and the Accounts from London.

Johannesburg,
22nd March, 1910.

F. W. DIAMOND, Incorporated Accountant,
BALL AND STUART,
} Auditors.

J. MUNRO
J. F. RUTHERFORD,
} Directors

For JOHANNESBURG CONSOLIDATED INVESTMENT CO., LTD., Secretaries, FRANK HALL.

| | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| ,, Development | 129216 | - | 8 | | | |
| ,, Hoisting | 17987 | 19 | 6 | | | |
| ,, Pumping | 16917 | 8 | 4 | | | |
| ,, Transport of Ore | 5474 | 16 | 5 | | | |
| ,, Ore Sorting | 2813 | 19 | 3 | | | |
| ,, Crushing | 4999 | 14 | 9 | | | |
| ,, Milling | 2556 | 17 | 8 | | | |
| ,, Cyaniding Sand | 27206 | 16 | 6 | | | |
| ,, Cyaniding Slime | 19258 | 2 | 7 | | | |
| ,, General Expenses at Mine | 6768 | 3 | 4 | | | |
| | 12557 | 19 | 6 | 245707 | 18 | 1 |
| ,, General Expenses at Head Office (including Gold Charges) | | | | 19482 | 6 | 3 |
| ,, Credit Balance on Working for year carried down | | | | 155466 | 2 | 4 |
| | | | £ | 420656 | 6 | 8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| By Battery Gold— | | | | | | |
| 62748045 fine ozs. | 266945 | 13 | 8 | | | |
| ,, Cyanide Gold— | | | | | | |
| 36132072 fine ozs. | 153710 | 18 | - | 420656 | 6 | 8 |
| | | | £ | 420656 | 6 | 8 |

| | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| To Credit Balance carried to Appropriation Account | | | | 175037 | 14 | 6 |
| | | | £ | 175037 | 14 | 6 |

| | | | | | | |
|---|---|---|---|---|---|---|
| By Balance brought down | | | | 155466 | 2 | 4 |
| ,, Estate Revenue | 13730 | 17 | 5 | | | |
| ,, Rents & Sundry Revenue | 2532 | 3 | 11 | | | |
| ,, Interest | 2708 | 10 | 10 | | | |
| ,, Rand Mutual Assurance Co., Ltd., (Dividend) | 600 | - | - | 19571 | 12 | 2 |
| | | | £ | 175037 | 14 | 6 |

## Dr. Appropriation Account. Cr.

| | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| To Dividend No.10—17½ per cent., to Shareholders registered 30th June, 1909 | 74375 | - | - | | | |
| ,, Dividend No.11—17½ per cent., to Shareholders registered 31st Dec., 1909 | 74375 | - | - | | | |
| ,, Donations | 350 | - | - | | | |
| ,, Profit Tax—Estimated amount of Tax for year ended 31st December, 1909, £9438 16s.; additional amount to 31st December, 1908, in consequence of re-estimate of life of Mine, £3181 6s. | 12623 | 2 | - | | | |
| ,, Depreciation on Stores | 787 | 1 | 8 | | | |
| ,, Depreciation as per Balance Sheet | 40042 | 5 | 9 | | | |
| ,, Flooding Disaster | 25096 | 3 | 11 | | | |
| ,, Unwatering Mine & other Expenditure, £52096 3s. 11d.; Less Amount since agreed to be accepted from May Consolidated Co., Ltd., as compromise for damages owing to the bursting of their dam, £27000 | | | | | | |
| ,, Balance Unappropriated carried to Balance Sheet | 121921 | 10 | 4 | | | |
| | 349570 | 3 | 8 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| By Balance of Account at 31st December, 1908 | 119374 | 15 | 6 | | | |
| *Add* Amount at credit of Share Premium at 31st December, 1908 | 55157 | 13 | 8 | 174532 | 9 | 2 |
| ,, Balance of Working Expenditure and Revenue Account for the year ended 31st December, 1909 | | | | 175037 | 14 | 6 |
| | | | £ | 349570 | 3 | 8 |

# NEW PRIMROSE GOLD MINING CO., LTD.

## Balance Sheet at 31st December, 1909.

| | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|
| **Capital** | 325000 | - | - | | | |
| 325000 Shares of £1 each fully issued. | | | | | | |
| **Dividend** No. 33 of 20 per cent. and Bonus of 15 per cent., payable to Shareholders registered 31st December, 1909 | 113750 | - | - | | | |
| **Dividends** Unclaimed | 1233 | 16 | 7 | | | |
| **Transvaal Government** | 14872 | 16 | - | | | |
| Estimated Gold Profits Tax, 1909. | | | | | | |
| **Sundry Creditors** | 7372 | 15 | 9 | | | |
| **Native Wages** earned but not yet paid | 2932 | 3 | 4 | | | |
| **BALANCE** (Profit and Loss Account) | 48924 | 9 | 7 | | | |
| **Contingent Liabilities**—8s. per Share on 399 Shares. Witwatersrand Native Labour Association, Ltd., £159 12s.; 14s. per Share on 1980 Shares, Native Labour Association Special Shares, £1386; 12s. per Share on 600 Shares, Witwatersrand Co-operative Smelting Works, Ltd., £360 | £1905 | 12 | - | | | |
| | £514086 | 1 | 3 | | | |
| **Property**—156 Claims, 8 Machine Stands | | | | 205884 | 4 | 6 |
| **Machinery and Plant**, £78778 7s.; Less Depreciation, £3938 18s. 4d. | £74839 | 8 | 8 | | | |
| **Permanent Works**, £11399 2s. 8d.; Less Depreciation, £569 19s. 2d. | 10829 | 3 | 6 | | | |
| **Buildings**, £22493 13s.; Less Depreciation, £1124 13s. 8d. | 21368 | 19 | 4 | | | |
| **Dams and Reservoirs**, £4346 14s. 3d.; Less Depreciation, £1022 9s. 6d. | 3324 | 4 | 9 | | | |
| **Railway Siding**, £1697 7s.; Less Depreciation, £84 17s. 4d. | 1612 | 9 | 8 | | | |
| **Hospital** | 389 | 9 | 2 | | | |
| **Live Stock and Vehicles** | 113 | 10 | - | 112477 | 5 | 1 |
| **Native Recruiting** | | | | 1113 | 13 | 9 |
| **Share Investments** | | | | 3370 | 8 | 9 |
| **Stores** | | | | 4486 | 5 | 8 |
| **Sundry Debtors and Payments in advance** | | | | 2147 | 11 | 2 |
| **Gold in Transit** | | | | 24937 | 10 | 1 |
| **Cash on Deposit and Interest accrued** | | | | 142823 | 4 | 8 |
| **Cash at Bank and at Mine** | | | | 16845 | 17 | 7 |
| | | | | £514086 | 1 | 3 |

For Johannesburg Consolidated Investment Co., Ltd.,
per Frank Hall.
Secretaries.

JOHN MUNRO,
J. F. RUTHERFORD, } Directors.

To the Shareholders, NEW PRIMROSE GOLD MINING CO., LTD.

We report that we have examined the above Balance Sheet with the Books and Vouchers of the Company in Johannesburg for the year ended 31st December, 1909, and have obtained all the information and explanations we have required as Auditors. In our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Company in Johannesburg and the Accounts from London.

J. P. O'REILLY,
F. W. DIAMOND, } Auditors.
Incorporated Accountants,

Johannesburg, 24th March, 1910.

**Dr.** **Profit & Loss Account**—No. 1 for Twelve Months ended 31st December, 1909. **Cr.**

| | £ s. d. | £ s. d. | | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| To Mining | 83145 13 2 | | By Battery Gold | 225270 9 10 | |
| ,, Development | 9251 15 3 | | 52956994 fine ozs. | | |
| ,, Hoisting | 17719 9 5 | | ,, Cyanide Gold | 128334 17 11 | 353605 7 9 |
| ,, Pumping | 12297 14 8 | | 30192671 fine ozs. | | |
| ,, Transport of Ore | 2470 17 2 | | ,, Gold from Treatment of Accumulated Slimes.. | | 26789 1 5 |
| ,, Ore Sorting | 2266 12 - | | 6302363 fine ozs. | | |
| ,, Crushing | 1597 17 5 | | | | |
| ,, Milling | 18754 13 1 | | | | |
| ,, Cyaniding Sand | 17474 10 5 | | | | |
| ,, Cyaniding Slime | 6802 19 8 | | | | |
| ,, Mine General Expenses | 8762 19 6 | 180545 1 9 | | | |
| ,, Cyaniding Accumulated Slimes | | 6622 7 - | | | |
| ,, General Charges (including Gold Realisation Charges) | | 17209 14 4 | | | |
| ,, Balance to Profit and Loss Account No. 2 | | 176017 6 1 | | | |
| | £ | 380394 9 2 | | £ | 380394 9 2 |

**Dr.** **Profit & Loss Account**—No. 2 for Twelve Months ended 31st December, 1909. **Cr.**

| | £ s. d. | £ s. d. | | £ s. d. |
|---|---|---|---|---|
| To Dividend No. 32 of 20 per cent (30/6/09) | 65000 - - | | By Balance from last Account | 70530 9 5 |
| ,, Dividend No. 33 of 20 per cent and Bonus of 15 per cent (31/12/09) | 113750 - - | | ,, Balance from Profit & Loss Account No. 1 | 176017 6 1 |
| ,, Donations | 500 - - | | ,, Rents | 1606 8 - |
| ,, Gold Profits Tax, 1909 £14872 16 - | | | ,, Interest | 2975 5 10 |
| Additional Tax, 1908 3 12 - | 14876 8 - | | ,, Rand Mutual Assurance Co., Ltd., Dividend Account | 2100 - - |
| ,, Expenditure opening up May Deep Section | 3437 13 9 | | | |
| ,, Depreciation as per Balance Sheet | 6740 18 - | | | |
| ,, Balance to next Account | 48924 9 7 | | | |
| | £ | 253229 9 4 | | £ 253229 9 4 |

# RANDFONTEIN

## Balance Sheet

| Liabilities. | £ | s. | d. |
|---|---|---|---|
| CAPITAL— | | | |
| Issued Capital as per Balance Sheet at 30/9/09 | 740340 | - | - |
| Less Reduction passed at Special Gen. Meetg. held 22nd July, 1909 | 370170 | - | - |
| | 370170 | - | - |
| Increase of Capital passed at above Meeting | 579830 | - | - |
| Authorised Capital | 950000 | - | - |
| Deduct Shares under option at 30s. per Share to 25th Sept., 1912, but not yet created | 246780 | - | - |
| Registered Capital | 703220 | - | - |
| Deduct Shares in Reserve | 35331 | - | - |
| ISSUED CAPITAL—667889 Shares of £1 each | 667889 | - | - |
| Share Premium | 126695 | - | - |
| Native Wages earned but not yet paid | 495 | 1 | 4 |
| Sundry Creditors | 4522 | 5 | 2 |
| Capital Suspense A/c. £370170 - - | | | |
| Less written off as opposite 370170 - - | | | |
| Contingent Liabilities— | | | |
| Witwatersrand Native Labour Association, Ltd., 70 Shares at 8s. per Share, £28; Machinery and Plant on order, &c., £22580 13s. 22608 13 - | | | |
| Summary of Amts. written off against reduction of Capital— | | | |
| Property 180484 3 11 | | | |
| Mine Buildings 3969 10 11 | | | |
| Machinery and Plant 17328 - 11 | | | |
| Development 64906 5 3 | | | |
| Furniture and Fittings 237 14 8 | | | |
| Tree Planting, &c. 719 17 1 | | | |
| Loss on Stores, Live Stock and Vehicles 457 14 7 | | | |
| General Expenditure 39255 17 2 | | | |
| Mine Expenditure 63410 15 6 | | | |
| £370170 - - | | | |
| £ | 799601 | 6 | 6 |

REPORT

To the Shareholders of the Randfontein Deep, Limited. We report that, Company in Johannesburg, for the period ended 31st December, 1909, and have our opinion such Balance Sheet is properly drawn up so as to exhibit a true and information and the explanations given to us, and as shown by the Books of the

Johannesburg, 26th March, 1910.
For JOHANNESBURG CONSOLIDATED INVESTMENT CO., Ltd., Secs.
FRANK HALL.

# DEEP, LIMITED.

at December, 1909.

| Assets. | £ s. d. | £ s. d. |
|---|---|---|
| Property ..... | 630484 3 11 | |
| 11111247 Claims, 6 Water-rights, Mynpacht No. 397 | | |
| *Less* written off against reduction of Capital ..... | 180484 3 11 | 450000 - - |
| Mine Buildings ..... | 7919 10 11 | |
| *Less* written off against reduction of Capital ..... | 3969 10 11 | 3950 - - |
| Machinery and Plant ..... | 23128 - 11 | |
| *Less* written off against reduction of Capital ..... | 17328 - 11 | 5800 - - |
| Furniture, Fittings, and Instruments ..... | 472 14 8 | |
| *Less* written off against reduction of Capital ..... | 237 14 8 | 235 - - |
| Development ..... | 64306 5 3 | |
| *Less* written off against reduction of Capital ..... | 64306 5 3 | |
| Tree-Planting and Fencing ..... | 719 17 1 | |
| *Less* written off against reduction of Capital ..... | 719 17 1 | |
| Loss on Stores, Live Stock and Vehicles ..... | 457 14 7 | |
| *Less* written off against reduction of Capital ..... | 457 14 7 | |
| Expenditure to be allocated ..... | | 7768 2 10 |
| Live Stock, Vehicles and Harness ..... | | 118 - - |
| Stores ..... | | 13423 1 8 |
| Native Recruiting ..... | | 136 18 4 |
| Share Investments ..... | | 209 10 - |
| Sundry Debtors and Payments in advance ..... | | 120 6 9 |
| Reconstruction Charges ..... | | 1249 2 6 |
| Guarantors Commission ..... | | 12339 - - |
| Deposits and Interests accrued ..... | | 265981 2 10 |
| Cash at Bank and on Hand ..... | | 34870 19 5 |
| General Expenditure— | | |
| As per Balance Sheet at 30th September, 1908 ..... | 34377 2 4 | |
| Add Expenditure, 15 mths. from 1/10/08 to 31/12/09, £10272 4s. 5d.; less Rents, Interest, &c., received from 1/10/08 to 31/12/09, £3643 9s. 7d. ..... | 6628 14 10 | |
| | 41005 17 2 | |
| *Less* written off against reduction of Capital ..... | 39255 17 2 | 1750 - - |
| Mine Expenditure— | | |
| As per Balance Sheet at 30th September, 1908 ..... | 62415 3 3 | |
| *Add* Expenditure 15 mths. from 1/10/08 to 31/12/09 | 24235 7 1 | |
| | 86650 10 4 | |
| *Less* Prospecting transferred to Development A/c. | 21589 7 8 | |
| | 65061 2 8 | |
| *Less* written off against reduction of Capital ..... | 63410 15 6 | 1650 7 2 |
| | £ | 799601 6 6 |

we have examined the above Balance Sheet with the Books and Vouchers of the obtained all the information and explanations we have required as Auditors. In correct view of the state of the Company's affairs, according to the best of our Company in Johannesburg and the Accounts from London.

F. W. DIAMOND,
HENRY HAINS, } *Auditors.*
*Incorporated Accountants.*

J. MUNRO,
J. F. RUTHERFORD, } *Directors.*

**Trial Balance,** incorporating **Adjustments,** and arranged so as to produce **Profit & Loss A/c.** and **Balance Sheet** of John Pearson, on 31st December, 1910.

| Accounts. | Adjustments. | | | Trial Balance. Dr. Balances. | | | Trial Balance. Cr. Balances. | | | Balance Sheet. Dr. Assets. | | | Balance Sheet. Cr. Liabilities. | | | Profit & Loss A/c. Dr. Balances. | | | Profit & Loss A/c. Cr. Balances. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| Purchases Ledger : Creditors | | | | | | | 1099 | 10 | 10 | – | – | – | 1099 | 10 | 10 | | | | | | |
| Sales Ledger : Debtors | | | | 5771 | 4 | 1 | – | – | – | 5771 | 4 | 1 | | | | | | | | | |
| Private Ledger :— | | | | | | | | | | | | | | | | | | | | | |
| Capital | 450 | – | – | | | | 9000 | – | – | – | – | – | 9450 | – | – | 450 | – | – | | | |
| Drawings | | | | 950 | – | – | – | – | – | 950 | – | – | | | | | | | | | |
| Plant & Machinery (10% Deprec.) | 84 | 15 | – | 847 | 10 | – | – | – | – | 762 | 15 | – | – | – | – | 84 | 15 | – | | | |
| Fixtures & Fittings (5% Deprec.) | 18 | 15 | 5 | 375 | 8 | 9 | – | – | – | 356 | 13 | 4 | – | – | – | 18 | 15 | 5 | | | |
| Horses & Carts (15% Deprec.) | 53 | 10 | 3 | 356 | 14 | 11 | – | – | – | 303 | 4 | 8 | – | – | – | 53 | 10 | 3 | | | |
| Stock (Final Stock) | 2994 | 14 | 7 | 2721 | 14 | 1 | – | – | – | 2994 | 14 | 7 | – | – | – | 2721 | 14 | 1 | 2994 | 14 | 7 |
| Purchases | | | | 13728 | – | 6 | – | – | – | | | | | | | 13728 | – | 6 | | | |
| Purchases Returns | | | | | | | 757 | 16 | 5 | – | – | – | – | – | – | – | – | – | 757 | 16 | 5 |
| Sales | | | | | | | 20332 | 1 | 6 | – | – | – | – | – | – | – | – | – | 20332 | 1 | 6 |
| Sales Returns | | | | 742 | 7 | 8 | – | – | – | – | – | – | – | – | – | 742 | 7 | 8 | | | |
| General Ledger :— | | | | | | | | | | | | | | | | | | | | | |
| Carriage | | | | 1421 | 10 | 7 | – | – | – | – | – | – | – | – | – | 1421 | 10 | 7 | | | |
| Wages | | | | 1646 | 13 | 10 | – | – | – | – | – | – | – | – | – | 1646 | 13 | 10 | | | |
| Salaries | | | | 346 | 2 | 3 | – | – | – | – | – | – | – | – | – | 346 | 2 | 3 | | | |
| General Expenses | | | | 463 | 11 | 10 | – | – | – | – | – | – | – | – | – | 463 | 11 | 10 | | | |
| Travelling Expenses | | | | 156 | 14 | 2 | – | – | – | – | – | – | – | – | – | 156 | 14 | 2 | | | |
| Stable Expenses | | | | 192 | 1 | 4 | – | – | – | – | – | – | – | – | – | 192 | 1 | 4 | | | |
| Repairs & Renewals | | | | 248 | 2 | 1 | – | – | – | – | – | – | – | – | – | 248 | 2 | 1 | | | |
| Rent (Accrued) | 50 | – | – | 150 | – | – | – | – | – | – | – | – | 50 | – | – | 200 | – | – | | | |
| Rates & Taxes (Unexpired) | 14 | 8 | 7 | 127 | 4 | 6 | – | – | – | 14 | 8 | 7 | – | – | – | 112 | 15 | 11 | | | |
| Water & Gas | | | | 126 | 2 | 7 | – | – | – | – | – | – | – | – | – | 126 | 2 | 7 | | | |
| Insurance (Unexpired) | 7 | – | – | 30 | 5 | 2 | – | – | – | 7 | – | – | – | – | – | 23 | 5 | 2 | | | |
| Discount | | | | | | | 4 | 9 | 7 | – | – | – | – | – | – | – | – | – | 4 | 9 | 7 |
| Bad Debts | | | | 89 | 4 | – | – | – | – | – | – | – | – | – | – | 89 | 4 | – | | | |
| Reserve for Bad Debts (Increase by) | 350 | – | – | | | | 150 | – | – | – | – | – | 500 | – | – | 350 | – | – | | | |
| Bills Receivable | | | | 929 | 1 | 1 | – | – | – | 929 | 1 | 1 | | | | | | | | | |
| Cash Book : Bank | | | | | | | 122 | 2 | 2 | – | – | – | 122 | 2 | 2 | | | | | | |
| Office | | | | 46 | 7 | 1 | – | – | – | 46 | 7 | 1 | | | | | | | | | |
| | | | | £31466 | – | 6 | £31466 | – | 6 | 12135 | 8 | 5 | 11221 | 13 | – | 23175 | 6 | 8 | 24089 | 2 | 1 |
| | | | | | | | | | | | | | 913 | 15 | 5 | 913 | 15 | 5 | | | |
| | | | | | | | | | | £12135 | 8 | 5 | £12135 | 8 | 5 | £24089 | 2 | 1 | £24089 | 2 | 1 |

**Difference** of **Balance Sheet** agrees with balance or **Net Profit** in **Profit & Loss A/c.**

**Dr. TRADING ACCOUNT of John Pearson for the year ended 31st December, 1910. Cr.**

| | £ s. d. | £ s. d. | | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| To Stock, 1st Jan. | | 2721 14 1 | By Sales ..... | 20332 1 6 | |
| ,, Purchases ....13728 – 6 | | | *Less* Returns | 742 7 8 | 19589 13 10 |
| *Less* Returns 757 16 5 | | 12970 4 1 | | | |
| ,, Wages ..... | | 1646 13 10 | ,, STOCK ..... | | 2994 14 7 |
| ,, Carriage ..... | | 1421 10 7 | | | |
| ,, GROSS PROFIT c/d. | | 3824 5 10 | | | |
| | | £22584 8 5 | | | £22584 8 5 |

**Dr. PROFIT & LOSS ACCOUNT for the year ended 31st December, 1910. Cr.**

| | £ s. d. | £ s. d. | | £ s. d. |
|---|---|---|---|---|
| To Rent ..... | 150 – – | | By Gross Profit from Trading A/c. ..... | 3824 5 10 |
| *Add* 1 Quarter owing ..... | 50 – – | 200 – – | ,, Discount..... | 4 9 7 |
| ,, Rates & Taxes ..... | 127 4 6 | | | |
| *Less* Amount Prepaid ..... | 14 8 7 | 112 15 11 | | |
| ,, Insurance ..... | 30 5 2 | | | |
| *Less* Amount Prepaid ..... | 7 – – | 23 5 2 | | |
| ,, Travelling Expenses ..... | | 156 14 2 | | |
| ,, Repairs & Renewals ..... | | 248 2 1 | | |
| ,, Stable Expenses ..... | | 192 1 4 | | |
| ,, Salaries ..... | | 346 2 3 | | |
| ,, Water & Gas ..... | | 126 2 7 | | |
| ,, General Expenses ..... | | 463 11 10 | | |
| ,, Bad Debts ..... | 89 4 – | | | |
| *Add* Reserve ..... | 500 – – | | | |
| | 589 4 – | | | |
| *Less* Cr. Balance of Reserve .. | 150 – – | 439 4 – | | |
| ,, Depreciation :— | | | | |
| Fixtures, Fittings, 5% ..... | 18 15 5 | | | |
| Plant & Machinery, 10% .... | 84 15 – | | | |
| Horses & Carts, 15% ..... | 53 10 3 | 157 – 8 | | |
| ,, Interest on Capital ..... | | 450 – – | | |
| NET PROFIT ..... | | 913 15 5 | | |
| | | £3828 15 5 | | £3828 15 5 |

**BALANCE SHEET of John Pearson on 31st December, 1910.**

| Liabilities. | £ s. d. | £ s. d. | Assets. | £ s. d. | £ s. d. |
|---|---|---|---|---|---|
| Sundry Creditors | | 1099 10 10 | Cash in hand ..... | | 46 7 1 |
| Bank Overdraft | | 122 2 2 | Bills Receivable..... | | 929 1 1 |
| Rent due— | | | Sundry Debtors ..... | 5771 4 1 | |
| 1 Quarter .. | | 50 – – | *Less* Res. for B.D... | 500 – – | 5271 4 1 |
| CAPITAL :— | | | | | |
| John Pearson, | | | Stock on hand ..... | | 2994 14 7 |
| 1st Jan., 1910 | 9000 – – | | Furniture & Fittings | 375 8 9 | |
| *Add* Interest . | 450 – – | | *Less* Depreciation5% | 18 15 5 | 356 13 4 |
| *Add* Net Profit | 913 15 5 | | | | |
| | 10363 15 5 | | Horses & Carts ..... | 356 14 11 | |
| *Less* Drawings | 950 – – | | *Less*Depreciation15% | 53 10 3 | 303 4 8 |
| | | 9413 15 5 | Plant & Machinery .. | 847 10 – | |
| | | | *Less*Depreciation10% | 84 15 – | 762 15 – |
| | | | Amounts Prepaid— | | |
| | | | Rates & Taxes .... | 14 8 7 | |
| | | | Insurance ..... | 7 – – | 21 8 7 |
| | | £10685 8 5 | | | £10685 8 5 |

## Balance Sheet of the London County & Westminster Bank, Ltd., on 31st December, 1912.

| Liabilities. | £ | £ |
|---|---|---|
| **Capital**—Subscribed | £14000000 | |
| 700000 Shares of £20 each, £5 paid | 3500000 | |
| RESERVE | 4000000 | |
| CURRENT AND DEPOSIT ACCOUNTS | 81695023 | |
| CIRCULAR NOTES, LETTERS OF CREDIT, COMMISSION LOANS, AND OTHER ACCOUNTS including provision for contingencies | 2568211 | |
| ACCEPTANCES FOR CUSTOMERS | 6741676 | |
| ENDORSEMENTS ON BILLS NEGOTIATED | 1312308 | |
| REBATE ON BILLS not due | 94728 | |
| **Profit & Loss** BALANCE as below | 527370 | |
| | | £100434816 |

This statement does not include the Bank's liability under its guarantee to the Yorkshire Penny Bank, Limited, for £223214.

| Assets. | £ | £ |
|---|---|---|
| **Cash**— | | |
| In hand and at Bank of England | 16918809 | |
| At Call and Short Notice | 10752983 | |
| | | 21671792 |
| BILLS DISCOUNTED | | 17671012 |
| **Investments**— | | |
| Consols (of which £1390210 is lodged for Public Accounts) and other Securities of, or guaranteed by the British Government | 5169298 | |
| Indian Government Stock, and Indian Government Guaranteed Railway Stocks and Debentures | 1923570 | |
| Colonial Government Securities, British Corporation Stocks, and British Railway Debenture Stocks | 1306425 | |
| Other Investments | 1334904 | |
| | | 9134197 |
| ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS | | 42230674 |
| LIABILITY OF CUSTOMERS FOR ACCEPTANCES as per contra | | 6741674 |
| BILLS NEGOTIATED, as per contra | | 1312308 |
| BANK AND OTHER PREMISES at cost, (*less* amounts written off) | | 1672659 |
| | | £100434816 |

## Dr. Profit & Loss Account, for half-year ending 31st December, 1912. Cr.

| | £ | | £ |
|---|---|---|---|
| To Interest paid to Customers | 835926 | By Balance brought forward from 31st December, 1911 | 143766 |
| ,, Salaries and all other expenses, including Income Tax and Auditors' and Directors' Remuneration | 1175824 | ,, Gross profit for the year, after making provision for Bad Debts and contingencies, and including Rebate brought forward from 31st December last | 3161957 |
| ,, Rebate on Bills not due carried to new Account | 94728 | | |
| ,, Interim Dividend of 10⅝ per cent. paid in August last | 371875 | | |
| ,, Investment Accounts (Depreciation) | 200000 | | |
| ,, Bank Premises Account | 100000 | | |
| ,, Further Dividend of 10⅝ per cent. payable 1st February next (making 21¼ per cent. for the year) | £371875 | | |
| ,, Balance carried forward | 155495 | | |
| | 527370 | | |

# EXECUTORSHIP ACCOUNTS.

In a work on *general* Book-keeping, sold at so low a figure as this textbook, it is impossible to devote more than one short chapter to Executorship A/cs., but sufficient guidance is given to enable the student to acquire a practical knowledge of the subject. To deal adequately with the Law is out of the question, when it is remembered that the classic treatise of Williams on "The Law of Executors and Administrators" is published in two large volumes at £4. A list of books on Executorship Law and Accounts will be sent by the author to any correspondent on receipt of sixpence.

**PROPERTY** signifies the exclusive right of possessing, enjoying and disposing of a thing. The person to whom such right belongs is termed the *owner*. Property may consist of (**1**) **Real Estate,** which includes land and buildings, whether of freehold or copyhold tenure, but not leaseholds, however long the term ; (**2**) **Personal Estate,** which includes money in any form, goods and chattels, furniture, copyright, goodwill and leases.

An **EXECUTORSHIP** usually arises out of a **Will,** which may be made by any sane person over 21 years of age, and which is a legal declaration of a man's or woman's intention as to the disposal of his or her property after death. A Will speaks from the **date of death,** and declares the testator's intentions in respect of all property then belonging to him, so that any property acquired subsequent to the making of the Will, will be dealt with in accordance with the terms of the Will. Bequests made to persons who die during the life of the testator lapse. Persons receiving benefits under a Will are known as the *beneficiaries*, those taking real estate being *devisees*, and those taking personal estate being *legatees*. One who is entitled to the **Income** to an Estate during lifetime, or widowhood only, is called a **life tenant ;** while the person entitled to the Estate on the death of the life tenant is known as the *remainderman*, or *reversioner*.

The deceased, if a man, is known as the *testator*, if a woman, the *testatrix*. With rare exceptions no Will is valid unless it be in **writing** and signed at the end by the testator, or by some other person in his presence and by his direction. Such **signature** must be attested by two competent **witnesses,** both of whom must sign together in the presence of the testator. **Soldiers** on active service and **Sailors** at sea may make a *Nuncupative Will*, which is a mere verbal declaration or oral pronouncement before witnesses. Wherever it is possible the witnesses to a Will should at least be intelligent and younger than the testator. It should be remembered that neither witnesses nor their husbands or wives, can take any benefit under a Will. A **Codicil** is a supplement to a Will, made when the testator desires to add, explain, alter or retract anything, and must be executed with the same formality as a Will. It is preferable to make a new Will rather than have several Codicils. When a person dies without having made a Will, he is called an **Intestate,** and the Law makes a Will for him, distributing his estate in accordance with the Statute of Distributions and the Intestates' Estates Act.

A gift of **Real Estate** or property by Will is known as a *devise* ; while a gift of **Personal Estate** is spoken of as a *legacy* or *bequest*. **LEGACIES** are of three kinds :—(**1**) **General,** when it does not amount to a bequest of any particular thing or money, as distinguished from all others of the same kind, and therefore comes out of the general estate, as " I give £50 to John Smith " ; (**2**) **Specific,** when it is a bequest of a particular thing, or sum of money, or debt, as distinguished from all others of the same kind, as " my gold watch," or the " £500 India Stock " ; (**3**) **Demonstrative,** when it is in its nature a general legacy, but there is a particular fund named out of which to satisfy it, as " £500 payable out of my £2,000 Leeds Corporation Stock." The person to whom the **surplus** of the **personal estate,** after the discharge of all the debts and legacies, is left by the testator's Will, is styled the **Residuary Legatee ;** while the person who

takes the **surplus real estate** is termed the **Residuary Devisee.**

The **death** of a person possessed of any kind of property necessitates that someone shall act as **representative** of the deceased, for the purpose of taking possession of and administering the property. Such a representative is known as an Executor or Administrator, or a Trustee. An **EXECUTOR** is a person appointed by the Will of the testator to carry out the directions and requests in his Will, and to dispose of the property according to his testamentary provisions after death. A person named as Executor is not bound to act, but may renounce the office even if he has agreed to accept the office in the testator's lifetime. An **Executor de son tort** is one, *not* being appointed by the Will, who takes upon himself the office of Executor by intrusion, and intermeddles with the estate of the testator. He has all the liabilities and none of the rights of a duly appointed Executor. An **Administrator** is a person appointed by the *Court* to take possession of and distribute the goods and effects of (1) an Intestate, (2) a testator who has not appointed an Executor, (3) a testator whose executors have died or failed to act. Administration is usually granted to the *next of kin*, preference being given to the applicants in a recognised order. An Administrator is required to enter into a bond, with two sureties, for the due performance of his office. A **Trustee** is one who holds property, real or personal, for the benefit of another, known as a *cestui qui trust* or *beneficiary.*

The **DUTIES** of an **Executor** or Administrator, after the interment of the deceased, consist of the **(1)** preparation of a Schedule of all the property passing at death ; **(2)** application for Grant of Probate of the Will, or Letters of Administration on payment of the Death Duties ; **(3)** collection and realisation of the Estate ; **(4)** payment of the Debts ; **(5)** payment of the Legacies ; **(6)** investment of the Funds in authorised securities ; **(7)** distribution of the Residue of the estate,

An **EXECUTOR** who derives his title from the Will may do many things in connection with the estate from the moment of the death of the testator, but there are certain powers which he cannot exercise until he has **proved the Will.** It is therefore the duty of an Executor, as soon as possible, after the expiration of seven days from the death of the testator, either personally, or through the medium of a Solicitor, to proceed to prove and establish the Will by applying for Probate at the *Principal Registry, Somerset House, London, W.C.*, or one of the *District Probate Registries* throughout the country. For this purpose the original Will must be deposited in the Registry, along with a Certificate of Death, and a complete statement of the assets and liabilities of the deceased, so that the **Death Duties** payable to the Inland Revenue may be discharged. The **value** at which real estate is stated must not be less than that fixed by the Land Valuation Department. The value of Stocks and Shares must be certified either by a Broker's Certificate, or the production of a newspaper quotation for the day of the death of the testator; while the value of the contents of business premises must be certified by a Licensed Valuer or other competent person. From these particulars the **Affidavit** for **Inland Revenue** and **Estate Duty Account** is prepared, signed and sworn by the Executor, the Duty being charged on the **net capital value** of the estate, together with **interest** on the duty at 4 per cent. per annum from the date of death. A few days after this procedure the **Probate Court** will issue either to the Executor or his Solicitor, a copy of the Will, to which is attached the **sealed Grant,** which is the Certificate of the proof of the Will, all of which together constitutes the proof of the Will and is usually styled the *Probate*. Any person may **read** the **copy** of a **Will** at the Principal Registry in London, or at the District Registry at which it has been proved, on the payment of a fee of one shilling. A **copy** of any proved **Will** may be had on payment of the necessary fee, which can be ascertained on application at the Registry.

**DEATH DUTIES** are taxes payable to the Government on the passing of property by the death of a person to his successors. They are of three kinds: (1) Estate Duty; (2) Legacy Duty; (3) Succession Duty.

**ESTATE DUTY** is levied upon the principal value of all property, real or personal, which passes on the death of a person, the rate of duty being graduated according to the total value of the estate, as shown below. When the gross value of an estate does *not exceed £100* no duty is payable. When an estate exceeds £100, but does *not exceed £300*, a fixed duty of 30/- may be paid, and where it exceeds £300, and *not £500*, a fixed duty of 50/- may be paid. When the net value of the estate does *not exceed £1000*, Estate Duty only is payable.

**SCALE of RATES of ESTATE DUTY.**

| Where the principal value of the Estate— | | | | Rate per cent. |
|---|---|---|---|---|
| Exceeds | £100 | and does not exceed | £500 | 1 |
| ,, | 500 | ,, ,, | 1000 | 2 |
| ,, | 1000 | ,, ,, | 5000 | 3 |
| ,, | 5000 | ,, ,, | 10000 | 4 |
| ,, | 10000 | ,, ,, | 15000 | 5 |
| ,, | 15000 | ,, ,, | 20000 | 6 |
| ,, | 20000 | ,, ,, | 25000 | 7 |
| ,, | 25000 | ,, ,, | 30000 | 8 |
| ,, | 30000 | ,, ,, | 40000 | 9 |
| ,, | 40000 | ,, ,, | 50000 | 10 |
| ,, | 50000 | ,, ,, | 60000 | 11 |
| ,, | 60000 | ,, ,, | 70000 | 12 |
| ,, | 70000 | ,, ,, | 90000 | 13 |
| ,, | 90000 | ,, ,, | 110000 | 14 |
| ,, | 110000 | ,, ,, | 130000 | 15 |
| ,, | 130000 | ,, ,, | 150000 | 16 |
| ,, | 150000 | ,, ,, | 175000 | 17 |
| ,, | 175000 | ,, ,, | 200000 | 18 |
| ,, | 200000 | ,, ,, | 225000 | 19 |
| ,, | 225000 | ,, ,, | 250000 | 20 |
| ,, | 250000 | ,, ,, | 300000 | 21 |
| ,, | 300000 | ,, ,, | 350000 | 22 |
| ,, | 350000 | ,, ,, | 400000 | 23 |
| ,, | 400000 | ,, ,, | 450000 | 24 |
| ,, | 450000 | ,, ,, | 500000 | 25 |
| ,, | 500000 | ,, ,, | 600000 | 26 |
| ,, | 600000 | ,, ,, | 800000 | 27 |
| ,, | 800000 | ,, ,, | 1000000 | 28 |
| ,, | 1000000 | ,, ,, | 1250000 | 30 |
| ,, | 1250000 | ,, ,, | 1500000 | 32 |
| ,, | 1500000 | ,, ,, | 2000000 | 35 |
| ,, | 2000000 | | | 40 |

A **Concession** is made in respect of **Estate Duty** where the maximum of one scale is slightly exceeded. For instance, the rate of Estate Duty payable upon an estate not exceeding £40,000 is 6 per cent., and would amount to £2400, but if the estate were sworn at £40,001 it would really be liable to a duty of 7 per cent., but for the Concession that such an estate may still be charged at 6 per cent., plus the odd £1, thereby effecting a saving of £399 1s. 4d. A **Concession** is also allowed in respect of Estate Duty in cases of **rapid succession** to **land** and **private businesses,** where the duty becomes payable for the second time within a period of **five years.** If the second death occurs within one year of the first death the reduction is 50 per cent. of the Estate Duty payable; if within two years, 40 per cent.; if within three years, 30 per cent.; if within four years, 20 per cent.; and if within five years, 10 per cent.

**LEGACY DUTY** is a graduated tax paid to Government on legacies and annuities in proportion to the distance of relationship between the testator and legatee. But the 1% duty on a legacy of a lineal descendant or ancestor is not payable where estate duty is paid. Neither is Legacy Duty payable where the net estate does not exceed £1000 in value, upon which estate duty has been paid. Legacy Duty is deductible from the Legacy unless the Will expressly provides that the bequest is "free from legacy duty," in which case the full legacy is payable to the Legatee and the Duty is chargeable against the general estate. Legacies not paid within twelve months of the testator's death carry interest at four per cent. per annum, from that date.

**SUCCESSION DUTY** is a graduated tax paid to Government on the succession of a beneficiary of real and leasehold estates, varying according to the relationship which the successor bears to the testator. This duty is not payable when the net estate does not exceed £1000, upon which estate duty has been paid. Subject to certain exemptions the following are the rates now payable in respect of Legacy and Succession Duties :—

| | |
|---|---|
| Husband or wife of the deceased. Lineal ancestors and descendants, or their husbands or wives, where the principal value of the estate exceeds £15000, except upon legacies not exceeding £1000, or in the case of widow and children under 1 years of age, £2000. | 1% |
| Brothers and sisters, or their descendants, or the husbands or wives of any such. | 5% |
| Brothers and sisters of the father or mother of the deceased, or their descendants, or the husbands or wives of any such. Brothers and sisters of the grandfather or grandmother of the deceased, or their descendants, or the husbands or wives of any such. Persons in any other degree of collateral consanguinity to the deceased or strangers in blood. | 10% |

In **DISTRIBUTING** the estate the Executor must discharge the debts in the following order:—(**1**) Funeral Expenses; (**2**) Testamentary or Executorship Expenses; (**3**) Debts due to the Crown by way of record or specialty; (**4**) Debts having priority by special statute, such as regimental debts, and those due by officers of a Friendly Society to the Society; (**5**) Judgments recovered against the deceased; (**6**) Recognizances duly enrolled; (**7**) Specialty and Simple Contract Debts; (**8**) Debts on Voluntary Bonds. When the assets are not sufficient to pay all the debts and legacies, they must be applied in the following order, which is known as **marshalling** the assets:—(**1**) Personalty not bequeathed, or only bequeathed by way of residue; (**2**) Any Real Estate particularly devised for payment of debts, and only for that purpose; (**3**) Real Estates descended to the Heir; (**4**) Real or Personal Property charged with the payment of debts, and devised, or suffered to descend, or specifically bequeathed, subject to that charge; (**5**) General Pecuniary Legacies; (**6**) Specific Devises, Residuary Devises, and Specific Bequests, not charged

with debts ; (7) Real and Personal Estate appointed by Will under a General Power of Appointment ; (8) Paraphernalia of the Widow.

**APPORTIONMENT** of receipts and payments, as between Capital and Income, is the only problem likely to arise in keeping Executorship A/cs. There are Statutory and Equitable Apportionments, the former arising under the Apportionment Act, 1870, which provides that all interest, annuities, dividends, and other periodical payments in the nature of income, shall, like interest on money lent, be considered as accruing from day to day and shall be apportionable in respect of time accordingly. The effect of this is that when an Executor receives payment of rent, interest, dividends, bonuses, which, during the lifetime of the deceased, would have represented Income, he must, if any portion thereof covered a period prior to the date of death, apportion the amount, that **accruing** to the **date** of the **death** being **Capital,** and the remainder Income. Interim dividends being part of the whole dividend for the year, the apportionment can only be made when the final dividend is received. Where stocks or shares are bought and sold *cum. div.* the whole is a capital transaction, so that in the case of a stock purchased *cum. div.* the tenant for life will receive all the income when it comes in ; and in the case of a stock sold *cum. div.* the tenant for life will lose the accrued income.

So far as **payments** made by the **Executor** are concerned, the following are **chargeable** to **Capital** :—(1) Funeral Expenses, (2) Death Duties, (3) Debts owing by the deceased, (4) Legacies, (5) Executorship Expenses incurred in dealing with the assets, (6) Repairs to property where such were required during the lifetime of the deceased. (7) Structural alterations and permanent improvements, (8) Cost of buying or selling Investments, (9) Cost of appointing New Trustees, (10) Costs of proceedings taken by Trustees for the protection of the Estate. The following are **chargeable** against **Income** :—(1) Interest on Death Duties, (2) Executorship Expenses incurred in administering the

Estate, (3) Current Repairs of Real Estate, (4) Rates and Taxes in general, (5) Maintenance and Education of Minor, unless specially provided for.

The **basis** of **Executorship Accounts** is the statement of **assets** and **liabilities** contained in the **Estate Duty Account** supplied to the Inland Revenue when proving the Will or taking out Letters of Administration. In other words, these assets and liabilities, representing the Estate of the deceased, form the *final Balance Sheet* of the **testator** on the one hand, and the *first Balance Sheet* or *Opening Entries* of the *Executor* on the other hand. In accordance with the principle of double entry the first account to be opened will be the **Capital A/c.,** more generally known as the **Estate A/c.,** but sometimes called the **Principal A/c.,** or **Corpus A/c.** The assets must be credited and the liabilities debited to the Estate A/c. ; a separate account being opened for each asset and liability. After these Opening Entries have been made, the majority of the transactions will consist of cash, which will be entered in the Cash Book and posted to their respective accounts in the usual way. In large estates a **Journal** may be needed to record transfer and adjustment entries, also apportionments, but in small estates a **Cash Book** and a **Ledger** are the only books required. The **Executorship Expenses A/c.** records, in addition to the personal expenses of the executor, the various professional costs of valuers, estate agents, auctioneers, accountants and solicitors. **Death Duties** are sometimes recorded in an account under that name, or under the heading of a **Testamentary Expenses A/c.**

### EXECUTORSHIP EXERCISE 1.

Henry Brown died on the 31st October, 1917, the sworn value of his Estate, disposed of by his Will, consisting, after the payment of Funeral Expenses £65, of the net value of £14000, made up as follows :—

| | |
|---|---|
| Household Furniture and Effects, bequeathed to his wife, Ann, absolutely | £560 |
| Life Insurance Policy and Bonuses received in Dec. and paid into Bank | 780 |
| Sundry Debts due to Testator, all received during Dec., 1917 | 180 |
| Cash in house paid into Bank | 31 |

Cash at Lloyds Bank ..... 345
5000 £1 6 per cent. Preference Shares, Lever Bros., Ltd., dividend payable half-yearly on 30th June and 31st Dec., at 21/- (cum. div.) ..... 5250
£1000 Dorman, Long & Co., Ltd., 5% Debenture Stock at £95 (cum. div.) Interest payable 30th June and 31st Dec. 950
Leasehold Property, let at an annual rental of £300, payable half-yearly on 30th June and 31st Dec. ..... 5000
Freehold Property, let at an annual rental of £144, payable quarterly on the 31st March, 30th June, 30th Sept., and 31st Dec. ..... 3000
The liabilities of the Testator to Sundry Tradesmen, paid during December, 1917 ..... 90
Loan on Mortgage of above Freehold Property at 5 per cent., payable 30th June and 31st Dec. ..... 2000

Testator left the Income of his Estate to his wife during her lifetime. All rent, interest, dividends had been received and paid when due, subject to Income Tax at 5/- in the £.

The Executor paid the Estate duty on the 30th Nov., plus Interest thereon, £1 14s. 6d. The Executorship Expenses were paid in Dec. on Income A/c. £12, on Capital A/c. £184. Prepare A/cs. to 31st December, 1917. See working on following pages.

**Dr.** **Estate A/c.** **Cr.**

| Date. | | Cap. | Date. | | Cap. |
|---|---|---|---|---|---|
| 1917 | | £ | 1917 | | £ |
| Oct. 31 | To Sundry Creditors ... | 90 | Oct. 31 | By Household Furniture | 560 |
| | ,, Mortgage @ 5% ..... | 2000 | | ,, Life Policy and Bonuses ..... | 780 |
| | ,, Interest accrued to date of death, less tax @ 5/- ..... | 25 | | ,, Cash in House ..... | 31 |
| | ,, Funeral Expenses ... | 65 | | ,, Cash at Bank ..... | 345 |
| | ,, *Balance* .....*c/d.* | 14000 | | ,, Sundry Debtors ..... | 180 |
| | | | | ,, Preference Shares in Lever Bros., Ltd. ... | 5250 |
| | | | | ,, Debenture Stock in Dorman, Long & Co., Ltd. ..... | 950 |
| | | | | ,, Leasehold Property. Rent accrued thereon to date of death, 4 mos., less tax ... | 5000 75 |
| | | | | ,, Freehold Property... Rent accrued thereon to date of death, 1 month, less tax | 3000 9 |
| | | £ 16180 | | | £ 16180 |
| Nov. 30 | To Estate Duty @ 5% on £14000 ..... | 700 | Oct. 31 | By Balance .....b/d. | 14000 |
| | ,, Executorship Expenses A/c. ..... | 184 | | | |
| | ,, Legacies A/c. ..... | 560 | | | |
| Dec. 31 | ,, *Balance* .....*c/d.* | 12556 | | | |
| | | £ 14000 | | | £ 14000 |
| | | | 1918 Jan. 1 | By Balance .....b/d. | 12556 |

# The ESTATE of HENRY BROWN, DECEASED.

**Dr.** **CASH BOOK.** **Cr.**

| Date. | Receipts. | Income. £ | s. | d. | Capital. £ | s. | d. | Bank. £ | s. | d. | Date. | Payments. | Income. £ | s. | d. | Capital. £ | s. | d. | Bank. £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1917 | | | | | | | | | | | 1917 | | | | | | | | | | |
| Oct. 31 | To Estate A/c. | | | | 376 | - | - | 376 | - | - | Dec. 31 | By Funeral Expenses | | | | 65 | - | - | 65 | - | - |
| Dec. 31 | ,, Sundry Debtors | | | | 180 | - | - | 180 | - | - | | ,, Estate Duty | | | | 700 | - | - | 700 | - | - |
| | ,, Life Policy and Bonuses... | | | | 780 | - | - | 780 | - | - | | ,, Interest on Duty | 1 | 14 | 6 | | | | 1 | 14 | 6 |
| | ,, Leasehold Property, 6 mos. Rent, less tax | 37 | 10 | - | 75 | - | - | 112 | 10 | - | | ,, Sundry Creditors | | | | 90 | - | - | 90 | - | - |
| | ,, Freehold Property, 3 mos. Rent, less tax | 18 | - | - | 9 | - | - | 27 | - | - | | ,, Mortgage Interest, 6 mos., less tax | 50 | - | - | 25 | - | - | 75 | - | - |
| | ,, Lever Bros., Ltd., 6 mos. Div., less tax | 40 | - | - | 80 | - | - | 120 | - | - | | ,, Executorship Expenses | 12 | - | - | 184 | - | - | 196 | - | - |
| | ,, Dorman, Long & Co., Ltd., 6 mos. Int., less tax | 6 | - | - | 12 | 10 | - | 18 | 15 | - | | ,, *Balances* .....c/d. | 38 | - | 6 | 448 | 10 | - | 486 | 10 | 6 |
| | £ | 101 | 5 | - | 1512 | 10 | - | 1614 | 5 | - | | £ | 101 | 15 | - | 1512 | 10 | - | 1614 | 5 | - |
| 1918 | | | | | | | | | | | | | | | | | | | | | |
| Jan. 1 | To Balances.....b/d. | 38 | - | 6 | 448 | 10 | | 486 | 10 | 6 | | | | | | | | | | | |

**Dr.** **Funeral Expenses A/c.** **Cr.**

| 1917 | | | 1917 | | |
|---|---|---|---|---|---|
| Dec. 31 | To Cash ..... | £65 | Oct. 31 | By Estate A/c. ..... | £65 |

**Dr.** **Estate Duty A/c.** **Cr.**

| 1917 | | | 1917 | | |
|---|---|---|---|---|---|
| Nov. 30 | To Cash ..... | £700 | Oct. 31 | By Estate A/c. ..... | £700 |

**Dr.** **Interest on Estate Duty A/c.** **Cr.**

| 1917 | | £ | s. | d. | 1917 | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|
| Nov. 30 | To Cash ..... | 1 | 14 | 6 | Dec. 31 | *By Transfer to Income A/c.* ..... | 1 | 14 | 6 |

**Dr.** **Executorship Expenses A/c.** **Cr.**

| 1917 | | Inc. | Cap. | 1917 | | Inc. | Cap. |
|---|---|---|---|---|---|---|---|
| Dec. 31 | To Cash ..... | £12 | £184 | Dec. 31 | *By Transfer to :—* | | |
| | | | | | *Income A/c.* ..... | £12 | |
| | | | | | *Estate A/c.* ..... | | £184 |

**Dr.** **Legacies A/c.** **Cr.**

| 1917 | | | 1917 | | |
|---|---|---|---|---|---|
| Oct. 31 | To Household Furniture left to wife absolutely ..... | £560 | Oct. 31 | *By Transfer to Estate A/c.* ..... | £560 |

**Dr.** **Household Furniture A/c.** **Cr.**

| 1917 | | | 1917 | | |
|---|---|---|---|---|---|
| Oct. 31 | To Estate A/c. ..... | £560 | Oct. 31 | By Legacies A/c. ..... | £560 |

**Dr.** **Life Policy A/c.** **Cr.**

| 1917 | | | 1917 | | |
|---|---|---|---|---|---|
| Oct. 31 | To Estate A/c. ..... | £780 | Dec. 31 | By Cash ..... | £780 |

**Dr.** **Sundry Debtors A/c.** **Cr.**

| 1917 | | | 1917 | | |
|---|---|---|---|---|---|
| Oct. 31 | To Estate A/c. ..... | £180 | Dec. 31 | By Cash ..... | £180 |

**Dr.** **Sundry Creditors A/c.** **Cr.**

| 1917 | | | 1917 | | |
|---|---|---|---|---|---|
| Dec. 31 | To Cash ..... | £90 | Oct. 31 | By Estate A/c. ..... | £90 |

**Dr.** **Leasehold Property A/c.** **Cr.**

| 1917 | | Inc. | Cap. | 1917 | | Inc | Cap. |
|---|---|---|---|---|---|---|---|
| Oct. 31 | To Estate A/c... | | £5000 | Dec. 31 | By Cash, Rent ..... | 37 10 | £75 |
| | ,, do. Rent | | 75 | | ,, *Balance c/d.* ..... | | 5000 |
| Dec. 31 | ,, *Transfer to Income A/c.* | 37 10 | | | | | |
| | | £ 37 10 | 5075 | | | £ 37 10 | 5075 |
| 1918 | | | | | | | |
| Jan. 1 | To Balance b/d. | | 5000 | | | | |

## Dr. Freehold Property A/c. Cr.

| 1917 | | Inc. | Cap. | 1917 | | Inc. | Cap. |
|---|---|---|---|---|---|---|---|
| Oct. 31 | To Estate A/c... | | £3000 | Dec. 31 | By Cash, Rent ..... | £18 | £9 |
| | ,, do. Rent | | 9 | | ,, *Balance c/d.* ..... | | 3000 |
| Dec. 31 | ,, *Transfer to Income A/c.* | £18 | | | | | |
| | | £18 | 3009 | | | £18 | 3009 |
| 1918 | | | | | | | |
| Jan. 1 | To Balance b/d. | | 3000 | | | | |

## Dr. 5% Mortgage of Freehold Property A/c. Cr.

| 1917 | | Inc. | Cap. | 1917 | | Inc. | Cap. |
|---|---|---|---|---|---|---|---|
| Dec. 31 | To Cash, Int. ... | £50 | £25 | Oct. 31 | By Estate A/c. ..... | | £2000 |
| | ,, *Balance c/d.* | | 2000 | | ,, do. Int. ..... | | 25 |
| | | | | Dec. 31 | ,, *Transfer to Income A/c....* | £50 | |
| | | £50 | 2025 | | | £50 | 2025 |
| | | | | 1918 | | | |
| | | | | Jan. 1 | By Balance b/d..... | | 2000 |

## Dr. Lever Bros., Ltd., 5000 6% Preference Shares. Cr.

| 1917 | | Inc. | Cap. | 1917 | | Inc. | Cap. |
|---|---|---|---|---|---|---|---|
| Oct. 31 | To Estate A/c.... | | £5250 | Dec. 31 | By Cash— | | |
| Dec. 31 | ,, *Transfer to Income A/c.* | £40 | | | 6 months dividend, less tax ... | £40 | £80 |
| | | | | | ,, *Balance c/d.* ..... | | 5170 |
| | | £40 | 5250 | | | £40 | 5250 |
| 1918 | | | | | | | |
| Jan. 1 | To Balance b/d. | | 5170 | | | | |

## Dr. Dorman, Long & Co., Ltd., £1000 5% Debenture Stock. Cr.

| 1917 | | Inc. | Cap. | 1917 | | Inc. | Cap. |
|---|---|---|---|---|---|---|---|
| Oct. 31 | To Estate A/c.... | | £950 | Dec. 31 | By Cash— | | |
| | ,, *Transfer to Income A/c.* | £6 5 | | | 6 months interest, less tax..... | £6 5 | 12 10 |
| | | | | | ,, *Balance c/d.* ..... | | 937 10 |
| | | £6 5 | 950 | | | £6 5 | 950 - |
| 1918 | | | | | | | |
| Jan. 1 | To Balance b/d. | | 937 10 | | | | |

## Dr. Income A/c. Cr.

| 1917 | | £ s. d. | 1917 | | £ s. d. |
|---|---|---|---|---|---|
| Nov. 30 | To Interest on Estate Duty..... | 1 14 6 | Dec. 31 | By Rent of Leasehold Property... | 37 10 - |
| Dec. 31 | ,, Executorship Expenses ..... | 12 - - | | ,, Rent of Freehold Property... | 18 - - |
| | ,, Interest on Mortgage ..... | 50 - - | | ,, Dividends from Lever Bros..... | 40 - - |
| | ,, *Balance transferred to Mrs. Brown, Life Tenant* ..... | 38 - 6 | | ,, Interest from Dorman, Long & Co., Ltd..... | 6 5 - |
| | £ | 101 15 - | | £ | 101 15 - |

**Dr.** **Mrs. Ann Brown, Life Tenant.** **Cr.**

| | | | £ | s. | d. |
|---|---|---|---|---|---|
| | 1918 Jan. 1 | By Transfer from Income A/c. ..... | 38 | - | 6 |

## The Estate of Henry Brown, Deceased.

**Balance Sheet** on 31st December, 1917.

| Liabilities. | £ | s. | d. | Assets. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| Estate Account ..... | 12556 | - | - | Freehold Property ..... | 3000 | - | - |
| Mortgage ..... | 2000 | - | - | Leasehold Property ..... ..... | 5000 | - | - |
| Mrs. Brown, Life Tenant, Income ..... | 38 | - | 6 | Investments:— | | | |
| | | | | Lever Bros., Ltd., 5000 6% Pref. Shares ..... 5170 - | | | |
| | | | | Dorman, Long & Co., Ltd., £1000 5% Deb. Stock 937 10 | | | |
| | | | | | 6107 | 10 | - |
| | | | | Cash at Bank:— | | | |
| | | | | Income A/c. ... 38 - 6 | | | |
| | | | | Capital A/c..... 448 10 - | | | |
| | | | | | 486 | 10 | 6 |
| £ | 14594 | - | 6 | £ | 14594 | - | 6 |

## EXECUTORSHIP EXERCISE 2.

John Pearson died on the 5th Dec., 1916. He bequeathed the residue of his Estate to his son and daughter in equal shares, but directed his Trustees to retain the share of his daughter, upon trust to pay the income only to her for life. The Affidavit showed that the Estate consisted of:—Cash at Bank £200; Household Furniture £250 (bequeathed to daughter); Leasehold Property £1750 (bequeathed to son, subject to mortgage of £750); £10000 Consols at 75 £7500; Life Policy £3000 paid into Bank; Capital in Partnership of John Pearson & Co. £1000. The debts due by the deceased were £400. The Executors received the dividend on Consols (£19 12s. 10d. being Income, and £38 13s. Capital) and were repaid the Capital of deceased in John Pearson & Co., together with his share of the profits for the year ending 31st Dec., 1916, £250. £10 Interest received from the temporary deposit of cash covered the Executorship Expenses. The debts were paid; and the funeral expenses and death duties (together £689 4s. 9d.) were also paid. On 6th April, 1917, the Executors, being in a position to distribute the Estate, appropriated, in satisfaction of the daughter's share in the corpus, such portion of the investment in Consols (taken at 70, the market price at that date) as was necessary for that purpose. The balance of Consols, taken at the same valuation, was transferred, on the same date to the son, on account of his share, the balance due to the son and any income due to him and the daughter being paid to them in cash. Prepare an account showing the distribution of the Estate, and show the respective amounts of Consols and Cash allocated and paid to the son and daughter.

## EXECUTORSHIP EXERCISE 3.

Arthur Johnson died on 31st August, 1916, leaving all property in trust for his son, but the income derivable therefrom to be available for the maintenance of his wife. The property was as follows, and the Trustee was directed to sell as soon as he deemed advisable and invest the proceeds in the usual securities. 25000 6% Preference Shares in a Publishing Co., face value £1 each; 20000 Ordinary Shares in the same, face value £1 each; Cash at Bank £520; Household Furniture and Effects sold for £710. The shares were valued for probate at par, the funeral expenses were £55, the Testator owed £200, and £100 was paid to the widow on account of income. The dividend on the shares was paid half-yearly, Jan. and June, and that on the ordinary shares was 10 per cent. for the year 1916, paid on 20th Jan., 1917. Testamentary Expenses paid £7662 10s. Draw up a statement showing the position of the accounts when the dividend on the ordinary shares had been received. Income Tax 5/- in the £.

## EXECUTORSHIP EXERCISE 4.

The following is the estate of Henry Sykes, who died on 25th Jan., 1917 :—Cash in house £5; Cash at Bank, Current Account £712; Cash at Bank, on Deposit £17800; Household Effects £1350; Leasehold Property, held on a 90 years' Lease from 1847, and let at £300 per annum, Valued at £3500; Real Property, let on a yearly tenancy at £120 per annum, Valued at £1900; Equitable Life Society Policy £5000; Bonus accrued £425; Loan due to Testator £130, irrecoverable. The Testator owed debts amounting to £78, and his funeral expenses were £33 10s. The rent of the Leasehold property to December 25th had not been paid at the date of death, but was received by the Executor; the rent of the Freehold had been received. £1900 was paid in duties, and £180 in legal charges. The Testator bequeathed the properties to his daughter, the furniture to his widow, and directed the residue to be divided equally between his daughter and widow. The Estate was ready for distribution three months after death. Prepare an Estate A/c. and make the necessary adjustments up to and including the distribution. Income Tax ignored. Daughter must bear Estate Duty on Realty, at 6%, £114.

## EXECUTORSHIP EXERCISE 5.

John Hart died on 1st Oct., 1916, leaving the following estate :—Cash in house £54; Cash at Bank £640; Household Furniture £1534; Debts due at the death £600; Creditors £230; Life Policy £2000; National Insurance Company, 100 Shares of £5 each, £1 per share paid, valued at £300 (Dividend at 20% paid to 31/12/16 for half-year). Mortgages :—H. Holmes £3000; P. Smith £1000; W. Williams £2000. (Interest at 4% for half year ended 31st Dec., 1916, paid 1st Jan., 1917.) The Bank interest to 31st Dec., 1916, amounted to £6 5s. The debts

due to and by the Testator were either received or paid by 1st March, 1917. The policy money was received on 1st Nov., 1916. The Insurance shares were sold on 1st Jan. for £370. Testamentary expenses and duties amounting to £1205, and Funeral expenses £90 were duly paid. The widow was left an immediate legacy of £100, the use of the furniture during her lifetime and the Income of the Estate. Income Tax ignored.

### EXECUTORSHIP EXERCISE 6.

The late Henry Smith left property as follows :—Leaseholds (subject to Mortgage of £7000) £27000 ; Cash in house £7 10s. ; Cash at Bank £1206 7s. ; Insurance Policy £10000 ; Household Furniture £1840 ; Debts due to him £811 ; Interest in Business valued at £12097. To his widow he bequeathed £20000 ; to his nephew he left his interest in his business ; to each of his three nieces £1000 ; to the Hospital Fund £500 ; and the residue to the C. B. Charity. His executors realised the Estate as follows :—The widow took the Furniture as above as part of her £20000. The Leasehold Property sold for £28300. The Debts due to the Testator realised £740. They paid Estate Duty £4800. The Costs of Sale and other charges amounted to £1060. Prepare a Cash A/c. and an Estate A/c. shewing exactly the disposition of the Estate by the Executors when the wishes of the Testator had been complied with, the mortgage having been paid off and the Life Policy realised.

## PETTY CASH BOOK. (See page 67.)

| Cash Received. | | | | Particulars. | Voucher No. | Totals. £ | s. | d. | Cartage and Carriage | | | Travelling. | | | Stationery. | | | Postages and Telegms | | | Sundry Stores. | | | Petties. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1917 | | | | | | | | | | | | | | | | | | | | | | |
| 20 | – | – | Jan. 1 | To Cash | CB1 | | | | | | | | | | | | | | | | | | | | |
| | | | ,, 2 | By Carriage—Cook & Co. | 1 | – | 15 | 6 | – | 15 | 6 | | | | | | | | | | | | | | | |
| | | | ,, 2 | ,, Telegrams | | – | 2 | 9 | | | | | | | | | | – | 2 | 9 | | | | | | |
| | | | ,, 3 | ,, Gratuities | | 1 | 5 | 6 | | | | | | | | | | | | | | | | 1 | 5 | 6 |
| | | | ,, 3 | ,, Tram Fares | | – | – | 9 | | | | – | – | 9 | | | | | | | | | | | | |
| | | | ,, 5 | ,, Postage Stamps | | 2 | 10 | – | | | | | | | | | | 2 | 10 | – | | | | | | |
| | | | ,, 6 | ,, Teas | | – | 8 | 6 | | | | | | | | | | | | | | | | – | 8 | 6 |
| | | | ,, 7 | ,, Carriage—F. Jones | 6 | – | 1 | 10 | – | 1 | 10 | | | | | | | | | | | | | | | |
| | | | ,, 8 | ,, Cab Fare—H. Burt | | – | 4 | 6 | | | | – | 4 | 6 | | | | | | | | | | | | |
| | | | ,, 9 | ,, Labels—T. Sykes | 9 | – | 15 | – | | | | | | | – | 15 | – | | | | | | | | | |
| | | | ,, 10 | ,, Matches | | – | – | 3 | | | | | | | | | | | | | | | | – | – | 3 |
| | | | ,, 10 | ,, Asbestos—T. Marsden | 11 | – | 18 | 6 | | | | | | | | | | | | | | | | | | |
| | | | ,, 12 | ,, Cartage | | – | 10 | | – | 10 | | | | | | | | | | | | | – | 18 | 6 | |
| | | | ,, 14 | ,, Twine—J. Holmes | 15 | – | 2 | 6 | | | | | | | | | | | | | | | | – | 2 | 6 |
| | | | ,, 15 | ,, Postal Wrappers | | 1 | 16 | 8 | | | | | | | | | | 1 | 16 | 8 | | | | | |
| | | | ,, 16 | ,, Railway Fare to Eccles | | – | 5 | 10 | | | | – | 5 | 10 | | | | | | | | | | | | |
| | | | ,, 17 | ,, Carriage—F. Potts | 19 | – | 3 | 6 | – | 3 | 6 | | | | | | | | | | | | | | | |
| | | | ,, 20 | ,, Post Cards | | – | 5 | – | | | | | | | | | | – | 5 | – | | | | | | |
| | | | ,, 22 | ,, Oil—J. Thorpe | 24 | 1 | 3 | 6 | | | | | | | | | | | | | | | | | | |
| | | | ,, 26 | ,, Pens | | – | 3 | 6 | | | | | | | | | | | | | | | | 1 | 3 | 6 |
| | | | ,, 31 | ,, Newspapers | 32 | – | 7 | 6 | | | | | | | – | 3 | 6 | | | | | | | | | |
| 12 | 1 | 1 | ,, ,, | To Cash, Disbursements | CB2 | | | | | | | | | | | | | | | | | | | – | 7 | 6 |
| | | | | | | 12 | 1 | 1 | 1 | 10 | 10 | – | 11 | 1 | – | 18 | 6 | 4 | 14 | 5 | 2 | 2 | – | 2 | 4 | 3 |
| | | | ,, ,, | By Balance c/d | | 20 | – | – | | | | | | | | | | | | | | | | | | |
| £32 | 1 | 1 | | | | £32 | 1 | 1 | | | | | | | | | | | | | | | | | | |
| 20 | – | – | Feb. 1 | To Balance b/d | | | | | | | | | | | | | | | | | | | | | | |

## PARS OF EXCHANGE and FOREIGN MONEY.

**(See Par. 154.)**

| *PARS OF EXCHANGE.* | | | *PRINCIPAL COINS.* | *Sterling.* | |
|---|---|---|---|---|---|
| | | | | s. | d. |
| Austria | gives 24 kr. 3 hrs. | for £1 | 100 hellers = 1 krone = | | 10 |
| Belgium | „ 22 fr. 15 c. | „ £1 | 100 centimes = 1 franc = | | $9\frac{1}{2}$ |
| Canada | receives 49 pence | for 1 Dollar | 100 cents = 1 dollar = | 4 | 1 |
| China | „ 5/10 | „ 1 Tael | 10 Cash = 1 candareen (Fun); 10 candareens = 1 mace (Tsien); 10 mace = 1 tael (Leang) = | 2 | $7\frac{1}{2}$ |
| Denmark | gives 18 kr. 16 öre | for £1 | 100 öre = 1 krone (pl. kroner) = | 1 | $1\frac{1}{3}$ |
| France | „ 25 fr. 22.15 c. | „ £1 | 100 centimes = 1 franc = | | $9\frac{1}{2}$ |
| Germany | „ 20 m. 43 pf. | „ £1 | 100 pfennige = 1 reichsmarks = | | $11\frac{3}{4}$ |
| Greece | „ 25 dr. 23 lepta | „ £1 | 100 lepta = 1 drachmê = (1 franc) | | $9\frac{1}{2}$ |
| Holland | „ 12 fl. 11 st. | „ £1 | 100 cents. = 20 stivers = 1 florin or guilder = | 1 | 8 |
| India | receives 16 pence stg. | for 1 Rupee | 192 pies = 16 annas = 1 rupee = | 1 | 4 |
| Italy | gives 25 fr. 22.15 c. | for £1 | 100 centisimi = 1 lira nuova = | | $9\frac{1}{2}$ |
| Norway | „ 18 kr. 16 öre | „ £1 | 100 öre = 1 krone (pl. kroner) = | 1 | $1\frac{1}{3}$ |
| Portugal | receives $53\frac{1}{4}$ pence stg. | for 1 Milreis | 1000 reis = 1 milreis = | 4 | $5\frac{1}{4}$ |
| Russia | „ $25\frac{1}{2}$ do. | for 1 Silver Rouble | 100 copecs = 1 silver rouble = | 2 | $1\frac{1}{2}$ |
| Spain | „ $45\frac{3}{4}$ do. | for 1 Peso | 103 centisimos = 1 peseta = (1 peso = 5 pesetas = 100 reals.) | | $9\frac{1}{2}$ |
| Sweden | gives 18 kr. 16 öre | for £1 | 100 öre = 1 kroner (pl. kronor) or riksdaler = | 1 | $1\frac{1}{3}$ |
| Switzerland | „ 25 fr. 22.15 rap. | „ £1 | 100 rappen or centimes = 1 franc = | | $9\frac{1}{2}$ |
| Turkey | receives $1\frac{1}{2}$d. to $2\frac{1}{2}$d. stg. | for 1 Piastre | 40 paras = 1 piastre, and 100 piastres = 1 lira Turca (£) | 18 | 0 |
| United States | receives $49\frac{5}{16}$d. stg. | for 1 Dollar | 100 cent = 1 dollar in gold = | 4 | 1 |

## COURSE OF EXCHANGE (See par. 156.) *Extract from "The Times."*

Amsterdam and Rotterdam, 12.2 to 12.3
do. do. 3 months, 12.3¾ to 12.4¼
Antwerp and Brussels, 3 months, 25.36¼ to 25.41¼
Hamburg, 20.57 to 20.61
Berlin and German Bank Places, 20.57 to 20.61
Paris, cheques 25.21½ to 25.26¼
Do. 3 months, 25.33¾ to 25.38¾
Marseilles, do. 25.33¾ to 25.38¾
Austria, do. 24.42 to 24.47
Moscow, do. 25⅜ to 25½

Petrograd, 3 months, $25\frac{7}{16}$ to $25\frac{9}{16}$
Genoa, 3 months, 26.68¾ to 26.78¾
Leghorn, do. 26.68¾ to 26.78¾
Naples, do. 26.68¾ to 26.78¾
Madrid, do. $40\frac{7}{16}$ to $40\frac{11}{16}$
Lisbon, do. 40⅜ to 40⅞
Oporto, do. $40\frac{13}{16}$ to $40\frac{15}{16}$
Copenhagen, do. 18.31 to 18.35
Christiania, do. 18.32 to 18.36
Stockholm, do. 18.32 to 18.36

To put the above into simple language it would read as follows :—

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amsterdam and Rotterdam | for short-dated London Bills | .. | gives | 12 florins 2 to 3 stiver | per | £1 | Sterling. |
| Do. | do. | ,, | 3 months | do. | .. | ,, | 12 florins 3¾ to 4¼ stiver | ,, | £1 | do. |
| Antwerp and Brussels | | ,, | do. | do. | .. | ,, | 25 francs 36¼ to 41¼ cents | ,, | £1 | do. |
| Hamburg .. | .. | ,, | do. | do. | .. | ,, | 25 marks 57 to 61 pfennige | ,, | £1 | do. |
| Berlin and German Banks | | ,, | do. | do. | .. | ,, | 20 marks 57 to 61 pfennige | ,, | £1 | do. |
| Paris .. | .. | ,, | short-dated | do. | .. | ,, | 25 francs 21¼ to 26¼ cents | ,, | £1 | do. |
| Paris .. | .. | ,, | 3 months | do. | .. | ,, | 25 francs 33¾ to 38¾ cents | ,, | £1 | do. |
| Marseilles .. | .. | ,, | do. | do. | .. | ,, | 25 francs 33¾ to 38¾ cents | ,, | £1 | do. |
| Austria .. | .. | ,, | do. | do. | .. | ,, | 24 kroner 42 to 47 hellers | ,, | £1 | do. |
| Moscow .. | receives | ,, | do. | do. | .. | from | 25⅜ to 25½ pence Sterling | per | Rouble. | |
| Petrograd | ,, | ,, | do. | do. | .. | ,, | $25\frac{7}{16}$ to $25\frac{9}{16}$ pence | do. | | |
| Genoa .. | .. | ,, | do. | do. | .. | gives | 26 lire 68¾ to 78¾ cents, | per | £1 | Sterling. |
| Leghorn .. | .. | ,, | do. | do. | .. | ,, | do. do. | ,, | £1 | do. |
| Naples .. | receives | ,, | do. | do. | .. | ,, | do. do. | ,, | £1 | do. |
| Madrid .. | ,, | ,, | do. | do. | .. | from | $40\frac{7}{16}$ to $40\frac{11}{16}$ pence | Sterling | per peso(5pesetas) | |
| Lisbon .. | ,, | ,, | do. | do. | .. | ,, | 40¾ to 40⅞ pence | do. | | do. |
| Oporto .. | ,, | ,, | do. | do. | .. | ,, | $40\frac{13}{16}$ to $40\frac{15}{16}$ pence | do. | Milreis. | |
| Copenhagen .. | ,, | ,, | do. | do. | .. | gives | 18 kroner 31 to 35 öre | per | £1 | Sterling. |
| Christiania .. | ,, | ,, | do. | do. | .. | ,, | 18 kroner 32 to 36 öre | ,, | £1 | do. |
| Stockholm .. | ,, | ,, | do. | do. | .. | ,, | do. do. | ,, | £1 | do. |

# TABLE OF USANCE AND DAYS OF GRACE.

| *Bills drawn in London on* | *USANCE.* | *Days of Grace.* |
|---|---|---|
| Altona | 1 month after date | 12 |
| Amsterdam | 3 months after date | none |
| Antwerp | Do. | none |
| Barcelona | Do. | none |
| Berlin | Do. | none |
| Bilbao | Do. | none |
| Bremen | 1 month after date | 8 |
| Bruges | Do. | — |
| Buenos Ayres | 60 days after sight | — |
| Cadiz | 3 months after date | none |
| Constantinople | 31 days after date | — |
| Dantzic | 14 days after acceptance | 10 |
| France | 3 months after date | none |
| Frankfort-on-Main | Do. | none |
| Florence | 30 days after date | — |
| Genoa | 3 months after date | none |
| Geneva | 30 days after date | 5 |
| Gibraltar | 2 months after sight | 14 |
| Hamburg | 3 months after date | none |
| Holland | Do. | — |
| Italy | Do. | none |
| Leghorn | 3 months after date | none |
| Leipzig | Do. | none |
| Lisbon | 90 days after date | none |
| Madrid | 3 months after date | none |
| Malta | 30 days after date | 3 |
| Milan | 3 months after date | none |
| Naples | Do. | none |
| Oporto | 90 days after date | none |
| Palermo | 3 months after date | none |
| Paris | Do. | none |
| Petrograd | Do. | none |
| Portugal | 60 days after date | — |
| Rio de Janeiro | 30 days after date | 5 |
| Rotterdam | 3 months after date | none |
| Rome | Do. | — |
| Rouen | 1 month after date | — |
| Seville | 3 months after date | — |
| Smyrna | 31 days after date | — |
| Sweden | 30 days after sight | — |
| Switzerland | Do. | — |
| Venice | 3 months after date | none |
| Vienna | Do. | none |
| West Indies | 31 days after acceptance | — |

# "LOCO" SHIPPING INVOICE. (See par. 661).

INVOICE of 5 Cases Goods shipped by JONES & CO., at Liverpool, per S.S. "Victoria," for Calcutta, by order and for account and risk of Messrs. BRUCE & SYKES, Calcutta.

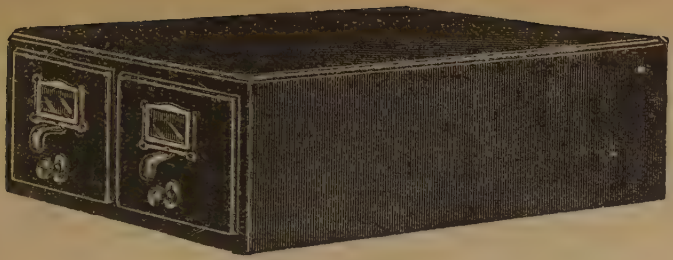
Order No. 2000. B/L. dated 10th July, 1920.
Indent No. 1520. Insurance effected here.

| B / J / S | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| | Grey Dhooties. | | | | | | |
| | ½in. coloured Border | | | | | | |
| 1000 | 1 B/- 400 pcs., 42 in., 17 by 15, 60/70 T.NO. .....500 | | | | | | |
| 1001/4 | 4 B/s 1600 ,, 44 in., ,, ,, .....512 | | | | | | |
| | 2000 ,, at 1/8 15/16 | 132 | 16 | 8 | | | |
| | Less 2½ per cent. | 3 | 6 | 5 | 129 | 9 | 10 |
| | **CHARGES :—** | | | | | | |
| | Freight on 58ft. 9in. at 32/6 ..... £2 7 8 | | | | | | |
| | Primage at 10 per cent ..... - 4 9 | 2 | 12 | 5 | | | |
| | B/L. 2/- Contract 10d. ..... | - | 2 | 10 | | | |
| | Packing 5 B/s. at 20/- ..... | 5 | - | - | | | |
| | Tickets (none) ..... | | | | | | |
| | Telegrams ..... | - | 14 | - | | | |
| | Postages and Bill Stamps ..... | - | 6 | - | | | |
| | Fire Insurance on £129 ..... | - | 1 | 4 | | | |
| | Marine do. £150 at 5/9 % less 5 & 10 per cent. and stamp | - | 7 | 11 | 9 | 4 | 6 |
| | | | | | 138 | 14 | 4 |
| | Commission at 2½ per cent. | | | | 3 | 9 | 4 |
| | | | | | 142 | 3 | 8 |

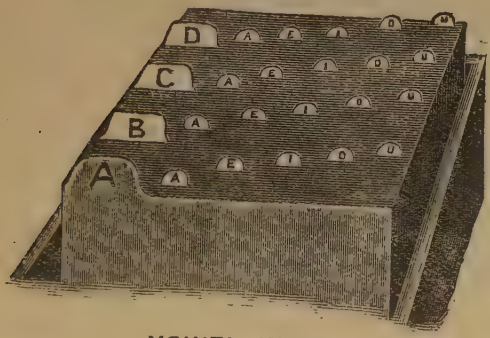
Stamped—2 headed Swan

E. & O. E., Manchester,
13th July, 1920,
JONES & CO.

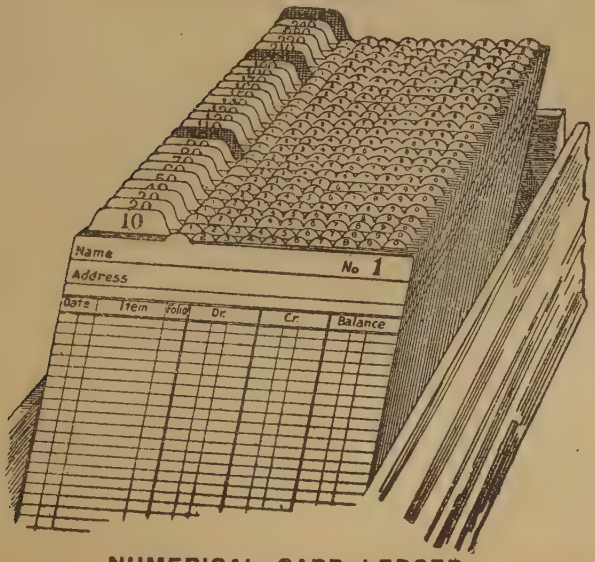
| | A | | E | | | | O | | U | | Y | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | Allan & Co. .... | 5 | Ankrett, Harry | 18 | Aitken, John ... | 43 | Argo, James ... | 71 | Arthur & Co. ... | 100 | Ayres, Wm. .... | 130 |
| | Astman, Geo.... | 10 | Ansell, Geo. .... | 34 | Ainley, Bros. .. | 46 | Ashton & Jones | 84 | Austin, Henry . | 109 | Addy, B. M. ... | 136 |
| | | | Anderton, Thos. | 62 | | | Armstrong & Co. | 97 | | | | |
| B | Banks, Frank... | 6 | Best, Oliver .... | 8 | Brierley, Joseph | 51 | Brooks, Bros.... | 93 | Burton & Sons. | 106 | Byles & Cross... | 119 |
| | Bailey, Ernest | 16 | Bedell, Thos. ... | 39 | Binks & Co. .... | 81 | Booth, Edwin... | 98 | Burns, Robert | 112 | Blyde, Chas..... | 134 |
| | | | Bleasby, Alb.... | 47 | | | Brown, T. C. ... | 104 | Bruce & Co. ... | 116 | Blyth, John .... | 150 |
| C | Cranston & Co. | 3 | Cecil, Robert ... | 129 | Christie & Sons | 2 | Collins Fli ..... | 31 | Churley, Fred... | 63 | Cryer, Thos. ... | 101 |
| | Clarke, Benj. ... | 9 | Cherry, Saml.... | 182 | Clifton, Walter | 170 | Coombs, J..... | 60 | Cusworth, Wm. | 68 | Chrystal, Geo. | 108 |
| | Carter & Sons | 19 | | | | | Crowther Jas. | 64 | | | | |
| D | Davis, Chas. ... | 28 | Dean & Sons ... | 17 | Dixon, Alf. .... | 2 | Doulton & Co. | 48 | Dunbar, Jas. ... | 42 | Dyke Wm. .... | 36 |
| | Drabble, Thos. | 35 | Drew, Jane..... | 20 | Dwight, Percy | 56 | Dobson, Richd. | 59 | Dudley, S. E.... | 73 | Dyne, Arthur... | 61 |
| | Dalton, Jabez... | 86 | | | | | Dove, James ... | 70 | Drudge, Geo.... | 105 | Drywood & Co. | 111 |



CARD INDEXING.




VOWEL INDEX.




NUMERICAL CARD LEDGER.

## ACCOUNT CURRENT. (See par. 503).

Messrs. Owen & Dew, New Orleans.

In Account with **Chas. Mee & Co., Ltd.,** London.

**Dr.** Interest @ 5% per ann. to 30th June, 1917. **Cr.**

| | | Principal. £ s. d. | Days. | Interest. £ s. d. | | | Principal. £ s. d. | Days. | Interest. £ s. d. |
|---|---|---|---|---|---|---|---|---|---|
| 1917 | | | | | 1917 | | | | |
| Jan. 1 | To Balance b/f. | 676 6 3 | 181 | 16 15 6 | Feb. 5 | By A.S. of Cotton | 767 17 9 | 145 | 15 5 1 |
| „ 31 | „ Cash paid to meet your Sight Draft | 16 10 – | 150 | – 6 10 | May 11 | „ Ditto | 820 15 – | 50 | 5 12 6 |
| Feb. 4 | „ Acceptance of your Draft due 4th April | 250 – – | 87 | 2 19 7 | June 30 | „ *Interest in red* | | | 1 4 – |
| | | | | | | „ Balance of Interest | | | 2 7 11 |
| „ 23 | „ Cash paid to meet your Sight Draft | 61 5 – | 127 | 1 1 3 | | „ *Balance c/f.* | 166 8 11 | | |
| April 4 | „ Acceptance of your Draft due 4th June | 250 – – | 26 | – 17 10 | | | | | |
| „ 6 | „ Cash paid to meet your Sight Draft | 134 2 – | 85 | 1 11 3 | | | | | |
| May 6 | „ Ditto. | 114 10 6 | 55 | – 17 3 | | | | | |
| June 4 | „ Acceptance of your Draft due 4th August | 250 – – | 35 | * 1 4 – | | | | | |
| „ 30 | „ Balance of Interest | 2 7 11 | | | | | | | |
| | | £ 1755 1 8 | £ | 24 9 6 | | | 1755 1 8 | £ | 24 9 6 |
| July 1 | To Balance b/f. | 166 8 11 | | | | | | | |

E. & O. E.
London, 30th June, 1917.

Chas. Mee & Co., Ltd.

# ACCOUNTANCY, BANKING, LEGAL AND COMMERCIAL COMPENDIUM.

**501. ACCOUNT, SETTLING, or SETTLEMENT DAYS** are the dates fixed by the Committee of various British Stock Exchanges for the completion of transactions. In Consols and a few kindred securities, these account days are once a month, usually during the first three or four days; in all other stocks twice a month, about the middle and end. Each Settlement occupies three days—1st, **contango day**, when arrangements are made for the continuation of transactions or bargains; 2nd, **name day**, when the names of buyers of registered securities are passed to the sellers; and 3rd, **pay day**, or account day proper, when securities are delivered, the money obtained, and **differences** settled. All transactions done during the account, unless specially arranged otherwise, are made for the Settlement following. Generally speaking, the Settlements on the Provincial Exchanges are fixed a day earlier than those on the London Exchange. This facilitates the payments of money due on transactions between these markets and London. **Bargains** *for Account* are contracts made for settlement on the next Settling Day, on the Stock Exchange, and are thus distinguished from bargains *for money* which are settled immediately on being made.

**502. ACCOUNTANT.** A person skilled in keeping and balancing books, and who is usually employed by merchants, public companies, &c., to prepare a/cs. and balance sheets, or to audit their books and a/cs. An **audit** is a thorough examination by an auditor of all books, a/cs., vouchers, securities, &c., with the three-fold object of detecting (1) fraud, (2) technical errors, (3) errors of principle. Audits generally take place periodically, and are usually, though by no means universally, conducted by professional auditors. These **auditors** are elected by the shareholders, and are legally supposed to be their representatives, acting as a check upon the Boards of Directors. In common practice the directors select auditors to suit themselves, and get them *pro formâ* elected by the shareholders at the annual or semi-annual meeting. From this habit, it results that the auditors of a public company have seldom any particular incentive to oppose the wishes of the Board. They rarely possess the independence they should have did the shareholders really appoint them; nor are their powers large enough. The accounts of railway companies are seldom audited by professional accountants, and cannot be said to be really looked into at all by competent people outside the management. The most important Acts of Parliament which contain provisions as to audit are:—Companies Clauses Consolidation Acts, 1845 and 1867; Regulation of Railways Act, 1868; Railway Companies' (Accounts and Returns) Act, 1911; Public Health Act, 1875; Friendly Societies'

Act, 1875; District Auditors Act, 1879; Municipal Corporations Act, 1882; Trustee Savings Bank Act, 1893; Building Societies Act, 1894; **Companies (Consolidation) Act, 1908.** The latter provides that every Company shall at each Annual General Meeting appoint an auditor to hold office until the next Annual General Meeting. Every auditor has the right of access at all times to the books, accounts and vouchers of the Company, and is entitled to require from the Directors and Officers such information and explanations as may be necessary for the performance of his duties. The Auditor must make a **Report** to the shareholders of the accounts examined and of every Balance Sheet laid before the Company in General Meeting during his tenure of office, and the Report must state (*a*) whether or not he has obtained all the information and explanations required; and (*b*) whether, in his opinion, the Balance Sheet referred to in the Report is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs according to the best of his information and the explanations given to him, and as shown by the books of the Company. **Public Auditors,** under the Friendly Societies' Act, 1896, and the Industrial and Provident Societies' Act, 1893, are appointed annually in December throughout the United Kingdom. They will not be ranked as public servants, and will have no salaries, nor any claim to pension or gratuity. Nor may they assume the title of "Government Auditors" or any similar one, or make any use of the Royal Arms. Applications for appointments should be sent to the Parliamentary Secretary to the Treasury, Whitehall, London, S.W., not later than 1st November.

**503.** An **ACCOUNT CURRENT (A/C.)** sometimes called a running a/c., is a detailed Dr. and Cr. statement, copied from the Ledger, containing an a/c. of the transactions which have taken place between you and a person during a certain time. An A/c. is usually rendered either quarterly, half-yearly, or yearly, and is generally made out with the interest charged or allowed upon each item. Sometimes **red ink interest** has to be stated in an A/c. Interest in red is that upon current B/E., reckoned from the time the interest is made out to the time the bills become due. In the example given on page 884 you will notice that the acceptance of 4th June has 35 days to run from 30th June to 4th August. The amount £1 4 – must be entered in red ink on the Dr. side, but must *not* be included in the total of that column. The £1 4 – must be *credited* to Owen & Dew, as they are deprived of the use of the £250 for 35 days beyond the time of making up the A/c. An **account stated** is one showing a balance which has been *agreed upon* by the parties. It differs from an **open a/c.** in that the burden of *proof* is thrown upon the party who seeks to question it, the balance not having been agreed upon between the parties. An **Account rendered** is one where the details have been set forth in a previous Statement, and the amount is brought forward in a single item on a subsequent Statement, and entered thus:—*To Account rendered* £125.

**504. ACCOUNT PAYEE** are two words sometimes written across a cheque. The words are an indication to the collecting banker as to what is to be done with the proceeds of the cheque, but the banker on whom the cheque is drawn, so long as he pays it to the right banker, is not concerned with the words "account payee." In practice, a banker who receives such a cheque for collection, requires that it be placed to the credit of the account as indicated in the crossing. In *Bevan v. National Bank, Ltd.*, Mr. Justice Channell said, "It was a direction to the receiving banker that the drawer desired to pay the particular cheque into the bank which kept the account of the payee. To disregard a direction of that kind, if the banker had information which might lead him to think that the account into which he was paying the cheque was not the payee's account, would be negligence." It is not necessary for the collecting banker to place any note or indorsement upon the cheque that the amount has been placed to the credit of the payee's account. There is no provision in the Bills of Exchange Act, 1882, regarding the words "account payee" in connection with a crossing. Section 78 says that it shall not be lawful for any person, except as authorised by the Act, to add to the crossing. It is not understood, however, that such words are really an addition to the crossing. They may as a matter of convenience be placed close to a crossing, or even between the lines, but they would have the same effect wherever placed on the cheque, so long as the collecting banker could see them, and they may be placed with effect upon a cheque that is not crossed.

**505.** An **ACTION** is a civil proceeding in a Court of Law, commenced by writ, or in such other manner as may be prescribed by rules of Court. Where a creditor has obtained judgment against a debtor, the Court provides means of enforcing it. A *Writ* is a judicial process, by which any one is summoned as an offender; a legal instrument to enforce obedience to the orders and sentences of the Courts.

**506.** An **ACTUARY** is a person skilled in the calculation of the value of life interests, annuities, and life assurance matters. The officer of a life assurance company whose duty it is to make the necessary computations in connection with the statistics and finances of life assurance, and the actuarial reports required by the Assurance Companies' Act, 1909. An officer appointed to keep the accounts of a savings bank.

**507. ADMINISTRATION,** Letters of. When a person dies intestate (without Will) his real estate (land and buildings thereon) passes immediately to his heir; while his *personal estate* (which includes money and all other kinds of property) has to be administered for the benefit of (1) his creditors (2) the next of kin entitled to enjoy the surplus after payment of his debts. The Administrator is the person to whom the Probate Court grants L. of A. empowering him to take possession of and distribute the goods and effects of the intestate.

**508. ADVICE.** A written communication giving information that some special transaction has been or is to be effected;

particularly used with reference to *advising* the drawing and honouring of bills, and the shipment of goods.

**509. AFFIDAVIT.** A written statement sworn before a person having authority to administer an **Oath,** which is an appeal to God to witness the truth of a statement.

**510. AFFREIGHTMENT** is the agreement made by a ship-owner to carry goods in consideration of a certain payment, called the freight. When the contract is with respect to the use of the whole ship for the cargo, the terms are embodied in the Charter Party, but if the contract is merely to convey certain goods, as part of the ship's cargo, the agreement is contained in the Bill of Lading.

**511.** An **AGENT (Agt.)** or **Attorney** is one who is empowered to represent a principal, or one who buys or sells, or is entrusted with the business of another. Contracts and arrangements made by an agent are binding upon his principal or employer, providing they are made in the usual course of business, and are understood to be on behalf of his principal. Every Manager, Clerk, Traveller, Workman, or other employee of a trader is an agent within certain limits, for carrying on the business. **A Broker** is an intermediate agent employed by merchants to buy and sell any commodity for them. The fee charged by brokers for transacting business for their principals is called brokerage. Stockbrokers call it commission. A **Factor** is an agent dealing *in his own name,* entrusted with the possession, management and disposal of property belonging to another. The general duty of a factor is to procure the best intelligence of the state of trade at his residence ; of the course of exchange ; of the quantity and quality of the goods at market ; their present price, and the probability of a rise or fall ; to pay exact obedience to the orders of his employers ; to consult their advantages in matters referred to his discretion ; to execute their business with all the dispatch that circumstances will admit ; to be early in his intelligence, distinct in his a/cs., and punctual in his correspondence. *The differences* between a Factor and a Broker are as follows :—A Factor (1) deals in his own name, (2) is always personally liable on his contracts unless he contracts specially as agent, (3) has possession of goods as well as being entrusted with their disposal. A Broker (1) deals in the name of a principal, (2) is never personally liable unless he contracts as principal, (3) is entrusted with disposal of goods but not possession. **Del Credere** is a term used in trade in reference to an agreement between an agent and his principal, whereby the former, in consideration of an additional amount being paid to him, besides his usual commission, undertakes to guarantee the payment for goods sold through his agency, and becomes thereby liable to his principal for the amount, in case of the insolvency of the purchaser. Such extra commission to the agent is called "del credere." **Per procuration** (per pro.). By procuration : an agency. The power given either by Letter or Power of

Attorney to an agent or clerk to sign cheques, bills of exchange and other documents, on behalf of a principal, or firm, thus :—

*p. pro.*, Middleton & Sons,

Arthur Fieldhouse.

The effect of such a signature is that it operates as notice of a limited authority in the agent, and the principal is only bound if the agent was acting within his authority ; hence, if an offer to accept, or draw, or endorse a B/E. be made by an agent, the holder may and should require the production of his authority, and if not produced, may treat the bill as dishonoured.

512. An **AGREEMENT** is a written contract entered into between two or more parties relating to some act to be done or not to be done by one of such persons towards the other. Where the sixpenny adhesive stamp is not used at the time of execution, the time allowed for stamping agreements underhand, liable to the fixed duty of sixpence, is 14 days, and for all other instruments (which are not required to be stamped before execution) chargeable with *ad valorem* duty, 30 days.

513. **AMORTISATION.** The redeeming of bonds or shares, or the gradual diminution of a debt, by means of annual drawings from a sinking fund ; or the complete extinguishment of a loan by a single payment out of some special fund set apart for that purpose.

514. **ANNUITIES** are of various kinds—perpetual, terminal, life, or deferred. The debt of the British Government is perpetual, but subject to periodical revisions of the rate of interest to be given upon each £100 of capital inscribed upon the books of the public debt. English railway debenture stocks are also perpetual annuities. Some insurance companies have issued a certain number of permanent annuities of £1 each. These are dealt in and quoted on the Stock Exchange at so much for each annuity of £1. **Terminable** annuities are annual sums payable to those entitled to them for a fixed number of years, such as the annuities of those of the Indian railways which have been purchased by the Indian Government. These Indian railway annuities are usually in two classes, "A" and "B." The "B" annuities, of £1 each nominal, are subject to a deduction for expenses and sinking fund. The money set aside for this sinking fund is allowed to accumulate, and will be divided among the holders at the date of expiry. "A" annuities of £1 each are only subject to a deduction of a few pence for expenses ; at the date of their termination the holders have no claims against the railway for capital to be repaid. Buyers of the "A" annuities have therefore to form their own sinking funds, by laying by a portion of the annuity each year. The National Debt Commissioners hold terminable annuities in consideration of their having paid over or surrendered so much in Consols. The Bonds of French railways are likewise terminable annuities. **Life** annuities are payable during the life of the individual entitled to them, or during the joint

lives of a man and his wife, or of any persons to whom the vendor of the annuity may agree to pay the money. Except in the case of permanent annuities, like those represented by the interest on Consols, all annuities imply an extinction of capital. The person or persons in the enjoyment of a life annuity receives back each year a proportion of the capital originally paid for it along with the interest. Provided that they are made with good insurance companies, or with the Government, these annuities are, therefore, an excellent mode of disposing money for those who have no heirs. **Deferred** annuities are those payable from a stated *future* date until death occurs—the purchase money being paid from the present time until the commencement of the annuity, either in a lump sum, or in periodical instalments. The purchase of a deferred annuity to commence at (say) age sixty by quarterly payments from now until that date is a convenient way for a young person to acquire an old age pension with a minimum of inconvenience as regards payments.

**515. APPROPRIATION OF PAYMENTS.** If a customer pays in money for a particular purpose, the banker must apply it accordingly. For example, if an amount is paid in to meet a specified cheque or bill, it must be used for that purpose, but if the amount is paid in without any particular instructions being given, the banker may appropriate the money in reduction of the customer's indebtedness. According to the rule in Clayton's case, an amount paid to credit is held to be a payment of the earliest unpaid debit in the account, and it is the sum first paid in that is first drawn out.

**516. ARBITRATION.** The reference, by parties to a dispute, of the matter at issue to a third party (termed an **Arbitrator**) for decision by him, instead of commencing a lawsuit. Settlement of commercial disputes by Arbitration is of frequent occurrence. The Arbitrator must be a business or professional man acceptable to both parties. Sometimes *each* party to the dispute nominates an arbitrator, who, in case they cannot agree, appoint a third party known as an **Umpire.** The decision arrived at by the Arbitrators or Umpire is termed their **Award.** A Submission to Arbitration may be made a rule of Court on the application of either party, and if this has been done, the Award may be enforced with the Court's assistance; otherwise the only means of compelling the party against whom the Award has been given, to satisfy its directions, is to bring an action and to obtain judgment on the basis of the Award.

**517. ARRANGEMENT,** Deed of. An instrument embodying an agreement between a debtor and the general body of his creditors for the purpose of modifying the Debtor's obligations without resorting to bankruptcy proceedings. An arrangement of this nature is only binding on those creditors who expressly assent to it. Such a Deed is void unless registered and stamped.

**518. ARRESTMENT** is a legal process in Scotland by which a banker is ordered not to part with funds belonging to a certain customer who is a debtor to the person on whose behalf the arrestment has taken place. The equivalent in England is attachment.

**519. ASSETS** are the whole of the funds, money, goods, and other property of every description belonging to a person or company, which may be made liable for debts. Assets include the debts owing to you by others. Assets are the debit balances of the real and personal a/cs. in the Ledger. *Wasting Assets* are those which decrease in value, either by wear or tear, by the progress of invention, or by the effluxion of time.

**520. ASSIGNMENT.** An absolute transfer by deed of some right, interest, property or goods to another, called the assignee. A trader (the assignor) will sometimes execute an assignment for the benefit of his creditors, so as to enable them to realise his estate, and out of the proceeds to declare a dividend upon the amount of their respective debts. The assignor should be careful to provide what shall be done with a surplus should the estate be so fortunately managed as to result in a surplus after paying 20/- in the £. Unless he provides that the surplus shall be handed to him or his family, a recent decision in the House of Lords (Smith v. Cooke) shows that it will belong to the creditors although it might lead to their actually receiving 40/- in the £.

**521. AVERAGE (Av.).** In marine insurance, what is known as "average" is the contribution made by the owners of the ship, freight or cargo, or their underwriters, to a particular individual who has had to sacrifice his property for the safety of the goods of the rest. This contribution equalises the loss among all parties interested. Average may be either *General or particular*. In the one case it affects all who have an interest in the ship, freight, or cargo; in the other it only affects some of them. **General Average (G/A.)** is where the goods of a particular merchant are cast overboard in a storm, to save the ship from going down; or where the masts, cables, and other gear have to be cut away; or where expense is incurred in obtaining the ship's discharge from an unjust capture or in defending a suit in a foreign Admiralty Court. In these and similar cases a general contribution is fair enough. To establish a claim for general average the danger must be imminent and general and the sacrifice indispensable. When the Captain arrives on shore, he should, with some of his men, make oath that the sacrifice was made solely for the general safety of the ship and goods, crew and passengers. **Particular Average** is any ordinary loss arising from the partial damage of a ship or cargo from the common perils of the sea and navigation incident to a voyage, and not involving their general safety. Such a loss rests where it falls, and is borne by the owner or insurer, **"f.p.a."** is an abbreviation of "free of particular average."

**522. AVERAGE DUE DATE.** This is a date determined upon by an arithmetical operation known as "Equation of Payments," whereby a single payment can be equitably made in lieu of several payments upon different dates. To calculate the average due date upon which the total of several sums, falling due on different dates, should be paid, multiply the different amounts by the number of days between the *first* date and the date upon which the other sums fall due; divide the sum of these products by the sum of the amounts, and the result is the number of days between the first date and the average due date, *e.g.* :—

| Date. | Amount due. | Days from 1st March. | Product. |
|---|---|---|---|
| March 1 .... | £300 .. | 0 .. | 0 |
| April 2 .... | 200 .. | 32 .. | 6400 |
| May 4 .... | 150 .. | 64 .. | 9600 |
| June 5 .... | 350 .. | 96 .. | 33600 |
| | £1000 | | £49600 |

Dividing 49600 by 1000 gives $49\frac{600}{1000}$; call this 50 days which must be added to 1st March, which gives 20th April, this being the average date.

**523. BANKER'S DRAFTS** are Bills of Exchange drawn by one banker upon another, requesting the payment of a sum of money to the order of the person named, generally on demand. The second banker is generally the London Agent of the country banker. For persons having no banking a/c., who may have to make either an inland or a foreign remittance of more than £20, a Banker's Draft is the most convenient mode and may be had *free of charge if drawn payable at 7 or 10 days.* The amount must be paid over the counter, together with the banker's commission if the draft is on demand. If you had a banking a/c. and ordered a Draft, the banker would debit your a/c. with the amount and commission. Such drafts do not need to be accepted like term bills, because the drawee pays you immediately the bill is presented. If you were going abroad and wished to avoid carrying a large amount of cash, you could lodge your money in the bank and take a Draft on your banker's foreign Agent, who would give you cash for the Draft on arrival at your destination, no charge being made for such a foreign draft.

Some business men remit their creditors drafts in preference to cheques. A slip is filled up giving all the particulars of the Drafts required, and then handed to the banker. He draws and signs the Drafts, which you remit in due course. The chief advantage of these Drafts is that the London agent of the country banker is informed of the amounts of the Drafts, thus rendering any attempt at fraud or forgery impossible.

The following is an illustration of a **Foreign Banker's Draft, on demand**, drawn in duplicate, this being the *Second of Exchange.*


00048

THE NATIONAL BANK OF NEW ZEALAND, LIMITED.

No. 37/9569 CHRISTCHURCH, 10th Feby 1910.

To the Cashiers of the Bank of England

On Demand pay this SECOND of Exchange (First not paid) to the order of A. Fieldhouse.

Thirty four pounds 12/- Sterling, for value received.

For The National Bank of New Zealand, Limited.

Manager

Accountant

**524. BANK POST BILLS (B.P.B.),** which are not subject to days of grace, are promissory notes to order, payable at seven or sixty days after sight, issued by the Bank of England for any sum from £10 to £1000. Any person may obtain a post bill free of charge (the use of the money being accepted by the Bank as a sufficient remuneration), upon depositing with the Bank or any of its branches, that sum for which the bill is required. These Bills, which are really Banker's Drafts, form an easy means of transmitting money from one part of the kingdom to another.

BANK OF ENGLAND.

No. M5855. £28 8 6, without acceptance.

Seven days after date pay this Sola Bill of Exchange to *Edwin Gay*, or order, *Twenty-eight pounds eight shillings and sixpence*, for value received.

Leeds Branch, *4th May*, 1920.

*G. W. LIDDERDALE*, Agent.

To the Cashiers of the Bank of England, London.

**525.** The **BANK RATE** of Discount is that charged by the Directors of the Bank of England for discounting the bills of its customers. The Bank Rate is regulated by the Directors at their weekly meeting, according to the demand for advances,

the quantity of Gold in the market, and the amount of reserve in the Bank. It may seem strange, but it is literally true, that money rises and falls in value, just like any other commodity. When the Bank Rate is low, we say money is cheap ; when it is high, we say money is dear. The object sought by the advance of the Bank Rate is to stop the withdrawal of Gold from the Bank ; and on the contrary, when gold is plentiful at the Bank, the rate is lowered, to cause the withdrawal of gold to other countries where it is more valuable. The Bank Rate for the 1st April, 1910, was 4%, and the rates of discount in the *open market* were as follows :—

| Bank Bills. | | Trade Bills. | |
|---|---|---|---|
| Three months | $3\frac{3}{4}$ | Three months | $4\frac{1}{4}$ |
| Four ,, | $3\frac{5}{8}$ to $3\frac{11}{16}$ | Four ,, | $4\frac{1}{4}$ |
| Six ,, | $3\frac{1}{2}$ | Six ,, | $4\frac{1}{4}$ to $4\frac{1}{2}$ |

**526. BANK RETURN.** The Report issued by the Bank of England every Thursday afternoon, and which is looked for not only by City men, but by merchants and bankers all over the kingdom. It shows the amount of Bank Notes in circulation, the stock of Bullion and Coin in reserve, and such other details as enable the experienced to judge of the state of the money market and its probable tendency in the immediate future. The following is the official Return published on the 2nd June, 1910 ; also the Consolidated A/c. in the form of an ordinary Balance Sheet, except that there is no record of the Bank's premises, which are worth some millions.

## BANK OF ENGLAND.

An account, pursuant to the Act 7 and 8 Vict., cap. 32, for the week ended on Wednesday, June, 1st, 1910 :—

### Issue Department.

| | | | |
|---|---|---|---|
| Notes Issued | £57762000 | Government Debt | £11015100 |
| | | Other Securities | 7434900 |
| | | Gold Coin and Bullion | 39312000 |
| | | Silver Bullion | — |
| | £57762000 | | £57762000 |

### Banking Department.

| | | | |
|---|---|---|---|
| Proprietors' Capital | £14553000 | Government Securities | £14938716 |
| Rest | 3141738 | Other Securities | 32405741 |
| Public Deposits, including Exchequer, Savings Banks, Commissioners of National Debt, & Dividend Accounts | 23037383 | Notes | 29386140 |
| | | Gold and Silver Coin | 1131289 |
| Other Deposits | 37108591 | | |
| Seven-day and other Bills | 21174 | | |
| | £77861886 | | £77861886 |

J. G. NAIRNE, *Chief Cashier.*

## CONSOLIDATED ACCOUNT or BALANCE SHEET.

| Liabilities. | | Assets. | |
|---|---|---|---|
| PROPRIETORS' CAPITAL | £14553000 | Government Debt | £11015100 |
| Notes in circulation | 28375860 | Other securities in issue dept. | 7434900 |
| Public Deposits, etc. | 23037383 | Government do. in banking | 14938716 |
| Other Deposits | 37108591 | Other securities in ditto. | 32405741 |
| Seven-day and other Bills | 21174 | Coin and Bullion on hand | 40443289 |
| REST or undivided profit | 3141738 | | |
| | £106237746 | | £106237746 |

The above return shows the following changes compared with the previous week :—

| | | |
|---|---|---|
| Active circulation of notes | Increase | £254705 |
| Public Deposit | Increase | 1741010 |
| Other Deposits | Decrease | 676670 |
| Government Securities | Increase | 1019284 |
| Other Securities | Decrease | 1499338 |
| Bullion | Increase | 1773775 |
| Notes in reserve | Increase | 1448410 |
| Rest | Decrease | 24537 |
| Reserve | Increase | 1519070 |

Proportion of Reserve to Liabilities 50·72 per cent. against 49·06 per cent. last week.

From the **Return** of the **Issue Department** it appears that at the close of business on 1st June, the Bank of England had its **notes issued** outstanding to the extent of £57762000, against which it held coin and bullion for £39312000, and securities for £18450000. Under the **Bank Charter Act, 1844,** the Bank was authorised to issue notes to the extent of £14000000, against securities, and given the power of increasing this *fiduciary issue*, on the discontinuance of the issue of notes by any country bank authorised to issue notes, to the extent of two-thirds of the lapsed issue of such country bank, and it is through the exercise of the right so conferred that the issue against securities has increased from £14000000 to £18450000. It will be noticed that, of the notes issued by the Issue Department, £29386140 were held by the Banking Department. Hence, notes to the extent of £28375860 were in the hands of the **public**—including the other banks—and constituted the **active circulation** of the Bank at the date of the above Return.

In the **Return** of the **Banking Department** the first item is **Proprietors' Capital.** The amount thereof—£14553000, the largest paid up capital of any bank in the world—gives to the Bank a position of absolute stability and of unrivalled strength.

The **Rest** consists of the surplus or **undivided profits** to date of the Bank's business. As the directors never allow this fund to fall below £3000000, it is to that extent of the nature of a **reserve fund.**

The amount standing to the credit of **Public Deposits** represents the balances at the credit of the accounts of the British Government departments, the Secretary of State for India, and kindred accounts. The amount varies from about £6000000 to £14000000, being greatest usually during March of each year, when the collection of income and other taxes is specially heavy causing the amount to run up to over £20000000.

The amount at the credit of **Other Deposits** represents the Bank's liability to its ordinary customers, including the chief London banks, which keep their *floating balances* with the Bank.

The balance at the credit of **Seven day and other Bills** represents the Bank's liability in respect of **Bank Post Bills** issued by its branches at a currency of **seven days fixed** for remittance purposes.

On the **assets** side of the Return of the Banking Department, the first item is **Government Securities.** These are such securities held by the Bank as yield an *income* guaranteed by the British Government—Consols, Exchequer Bonds, Treasury Bills, &c.

The **Other Securities** include the Bank's **investments** in Indian, Colonial and Corporation securities, bills under discount, and advances to bill brokers and to its ordinary customers.

The **Notes, Gold** and **Silver Coin** jointly constitute the **Reserve,** the **actual cash held** by the Banking Department to meet its liabilities to the public, that is, in respect of Public Deposits, Other Deposits, and Seven day and other bills. In the above Return it will be noticed that the notes, gold and silver coin, amounted to £30517429, as compared with liabilities to the public of £60167148. The ratio of cash to liabilities on 1st June, 1910, was thus 50%.

**527. BILLS OF EXCHANGE. Drawer's Liability.** The drawer of a Bill, by drawing it, engages that on due presentment it shall be accepted and paid, that if it be dishonoured he will compensate the holder or any endorser who is compelled to pay it, provided that the requisite proceedings on dishonour be duly taken. By drawing a bill, the drawer gives an implied undertaking that upon presentment to the Drawee it shall be accepted.

**To endorse a Bill** is to write one's name across the back of a bill, thereby engaging to compensate the holder or a subsequent endorser should it be dishonoured by the acceptor. By endorsing a bill, an endorser takes upon himself the responsibility of a new drawer. Endorsements are divided into two classes, "blank" or "general" and "special." A **blank** endorsement is one where the **endorser** (in order to transfer his interest in the bill) simply writes his name on the back of the bill without specifying the **endorsee.** An endorsement is **special** when the endorser transfers his interest in the bill to some special endorsee say John Smith, as follows :—

"Pay John Smith, or order."
"Pupil Bros."

The effect of this special endorsement is that the instrument is only payable to the order of John Smith, who must further endorse it on negotiation. **An Agent,** or any other person who endorses and does not want to become *personally* liable, should add to his name the words **sans recours,** or **without recourse to me,** by which means he will avoid the contingent liability to which he would otherwise be subject, if the acceptor failed to honour the bill. In addition to the endorsements consequent

upon the ordinary negotiation of a bill, it sometimes happens that the acceptance by a certain person of a bill is not considered sufficient. That person may not be regarded as reliable for payment of the amount, and the drawer insists on someone endorsing or **backing** the bill which leads to a friend of the acceptor endorsing it, and thereby making himself liable for the amount in case of dishonour. Endorsers of a bill must therefore be always informed of dishonour, as all of them are, collectively and individually, liable for the amount. When the back of a bill is filled with endorsements, further signatures may be written on an **allonge,** which is a slip of paper of similar size and shape to a bill, pasted on the end thereof. The allonge must be attached to the bill before it is endorsed, otherwise it might become affixed to the wrong bill. The first endorser on the allonge should so write his name that it appears partly on the bill and partly on the allonge, in order that the allonge may not be detached and attached to another bill of higher amount.

In **negotiating** a bill, although endorsement is generally required for the security of the transferee, it is not always absolutely necessary. For instance, a bill or note payable to bearer is negotiated by delivery, as well as a bill or note payable to a person named, *after* he has endorsed it in blank, which endorsement makes it payable to bearer, and therefore also negotiable by mere delivery or transfer of possession. The person delivering the bill is called the **transferor,** and the person receiving it the **transferee.** Unlike an endorser a mere transferor does not, of course, incur any liability on the bill. A bill drawn in favour of *Tom Sykes only,* would prohibit its transfer, and would therefore be **not negotiable,** that is, its value could not be transferred to another by delivery. The same remarks apply to a bill with a **restrictive endorsement** as *Pay John Smith only, Pupil Bros.*

**Case of Need.** The drawer of a bill being unable to know for certain whether the drawee will accept or, having accepted, will pay, may insert the name of a person to whom the holder may, if he pleases, resort in case of non-acceptance or non-payment. This person is called a "*referee in case of need.*" In other words a "case of need" is a statement occasionally put upon a bill of exchange by the drawer or one of the endorsers, naming a person who will guarantee its payment, and to whom the holder may have recourse in case of dishonour. The following is the usual form :—

"In case of need apply to JOHN SMITH,
622 Moorgate Street, E.C.,
Pupil Bros."

The purport of this is, that if the bill is not paid at maturity John Smith (who knows your firm to have a reputation for integrity and financial honour) will pay it for your honour. Pupil Bros. would, of course, communicate with John Smith and ask him (if necessary) to **protect their signature** by accepting the draft, so that they might be saved the discredit of it being said that a draft of theirs had been dishonoured.

**Acceptance and Payment for Honour.** When acceptance is refused and a bill is protested for non-acceptance, or where a bill has been protested for better security and is not overdue, any person not being liable thereon may, with the consent of the holder, intervene and accept the bill *supra protest*, for the honour of any party thereto, or for the honour of the person for whose account the bill is drawn. If the acceptance does not state for whose honour it is made, it will be deemed to be for the honour of the drawer. An acceptor for honour is liable on the bill to the holder, and to all parties to the Bill subsequent to the one for whose honour he has accepted. In the case of inland bills, it is only to the holder of a current bill dishonoured by non-acceptance, or accepted by a person who has since become insolvent, that an acceptance *supra protest* is of any use; and the noting and the protest are of no use except to give validity to such an acceptance. The acceptor *supra protest* must personally appear before a Notary Public, with witnesses, and declare that he accepts such protested bill in honour of the drawer or endorser as the case may be, and that he will satisfy the same at the appointed time, and then he must subscribe the bill with his own hand. Where two or more offer to pay *supra protest*, that one is to be preferred whose payment will discharge the most parties, that is, that person who proposes to pay for the honour of the earliest party to the bill. If the holder refuses to receive payment *supra protest* he loses his rights against all parties who would have been discharged by such payment. The simplest course for a person who wishes to protect the credit of a party to a bill is to pay the holder and take the bill. It is only if the holder refuses to transfer it that payment for honour need be resorted to.

**Liability and Security.** The acceptor of a bill is the person who is to be liable to the drawer, so long as it remains in the drawer's hands, and he (the acceptor), is *always* the person *primarily* liable to the holder; and when the drawer delivers the bill to the payee, or bearer, or by endorsement transfers the bill to another, the drawer in his turn becomes liable as well as the acceptor, to the holder of the bill, and so does every subsequent endorser, the security thus increasing with each endorsement.

**Accommodation Bills** (sometimes called "kites" or "windmills") are bills drawn, accepted, or endorsed, though no consideration or value has been given for them. Such bills are usually made by two or more persons with a view to their being discounted for the temporary convenience of and accommodating one or more of the parties concerned, each of them agreeing to provide the acceptor, at, or previous to its due date, with funds to meet the bill. **A Trade Bill** is one drawn in connection with actual trade operations. The term is used to distinguish the paper from a bank bill or from a "kite." A **Bank Bill** is one issued or accepted by a bank. The discount rates for bank bills are less than the rates for fine trade bills; for example, when the rates for three months' bank bills are quoted at $2\frac{3}{16}$ to $2\frac{1}{4}$ per cent., trade bills may be quoted at, say $2\frac{1}{2}$ to

2¾. **Fine Paper** is the term used to indicate bills which are drawn upon banks or first-class firms.

**Protest of a Bill.** A document containing a solemn declaration made by a Notary Public that he has presented a foreign bill of exchange, either for acceptance or payment, that the answer quoted is the one he received, and that he formally protests against non-compliance with the demand. This document is engrossed on paper, impressed with a shilling stamp, *after* a bill has been *noted*, and it is drawn up for the holder's protection, so that *recourse* may be had upon the drawers or endorsers residing abroad. *Noting* is really the preliminary step to *protest*; while *protesting* is practically *extending* a *protest*. Extension of protest is essential in the case of foreign bills, since a notarial protest is regarded by the laws of most foreign nations as the only legal evidence of dishonour, and therefore necessary to enforce the holder's rights abroad.

**Usance.** The customary period allowed between different countries for drawing bills of exchange. When bills are drawn between different countries there is a given period for which it is customary or *usual* for the bill to be drawn. This usual term is called *usance* of bills. The extent of usance is principally controlled by two considerations :—(**A**) The distance and facility of communication between the countries. (**B**) The quickness with which the goods can be sold. Double or treble usance is double or treble the usual time, and half usance is half that time. **At Sight** is a term sometimes used upon bills of exchange when they are payable on demand. Such bills do not need to be accepted. In book-keeping they are treated as cheques.

A **long bill** is one having a long term to run, as 6 or 9 months after date or after sight; while a **short bill** is one payable on demand, at sight, or having less than 10 days to run; also those bills received by bankers for collection and which have nearly matured. **Short exchange** is the rate for cheques or drafts at sight, or payable within a day or two. There being no question of interest involved, the variations of the short exchanges above or below the mint Par is the measure of the monetary balance of trade, including therein the movement of floating capital.

**Sole** or **sola** means only one bill as opposed to a "set"; **First** denotes the first of a set; a **Copy** is a facsimile or duplicate; and **Via** means any one of a "set of bills."

The **holder** is the person in actual or constructive possession of the bill, and entitled at law to recover its contents from the parties to it. If the holder takes a **composition** from the acceptor or maker, the other parties are discharged. Part payment, of course, has no such effect.

The chief **differences** between a **B/E.** and a **P/N.** are as follows :—(1) A bill has three original parties—drawer, drawee, and payee; a note only two—maker and payee. (2) The drawer of a bill is liable only in a secondary degree; the drawer or maker of a note is the principal debtor. (3) A bill is an *order*, a note, a *promise* to pay. (4) Notes do not require presentment

for acceptance, nor can they be accepted for honour. (5) The acceptors of a bill can only be liable jointly; the makers of a note can be liable jointly and severally. (6) A Bill may be accepted conditionally by the principal debtor, but a note cannot be made conditionally by the maker. (7) Notes are not made in sets, nor is a protest required in the case of a foreign note dishonoured here.

**Arbitration of Exchange** is where a merchant pays his debt in one foreign country by a B/E. upon another foreign country.

A **Documentary Bill** is a B/E. accompanied by various documents such as invoice, B/L., policy of insurance, and letters of hypothecation; these latter documents being available to satisfy the amount of the bill in the event of its not being duly honoured at maturity. A **clean** B/E. is one in which there is no reference to documents.

---

£500. *LONDON, 22nd July,* 1920.

Stamp Five Shillings.

*NINETY DAYS after sight, pay this FIRST of Exchange (Second and third unpaid) to our Order, the sum of Five Hundred Pounds sterling, value received against* OD

*100/5, = 6 bales of Worsteds, per S.S. "City of Athens." Shipping Documents attached to be surrendered on payment.*

*CHAS. MEE & CO.*

*To Messrs. OWEN & DEW,*
*SYDNEY.*

---

£145 10*s.* 4*d.* *LONDON, 22nd July,* 1920.

Stamp Two Shillings.

*SIXTY DAYS after sight, pay this FIRST of Exchange (Second and third unpaid) to our Order, the sum of One Hundred and Forty-five Pounds, Ten Shillings, and Four Pence, Sterling, payable at the National Bank of India's drawing rate for demand drafts on London, with interest at* (6) *per cent. per annum, added thereto, from date hereof, to approximate due date of arrival of the remittance in London, value received against*

B
J 1000/4=5 *bales of Grey Dhooties, per S.S. "Victoria."*
S

*To Messrs. BRUCE & SYKES,* *JONES & CO.*
*CALCUTTA.*

*Endorsement:—Pay the National Bank of India, Limited, or order.*
*Jones & Co.*

---

**N.B.**—The above draft would be discounted by Jones & Co. with the bankers who acted as English Agents for the National

**Bank of India.** Attached to the draft as securities for the amount advanced, would be the following documents, viz. :— Invoice, Bills of Lading, Policy of Insurance, and Letters of Hypothecation. Presuming that Bruce & Sykes paid the above draft on 20th October, and that it was calculated the remittance would reach London on 16th November, the number of days in respect of which interest would be payable would be 117, the amount being £2 16 –. The total amount payable in Indian currency by Bruce & Sykes, if the exchange were at 1/4, would amount to Rs. 2224 12a.

**528. BILL OF LADING (B/L.)** A memorandum given by the brokers or owners of a vessel acknowledging the receipt of goods and an agreement as to their delivery, freight, &c. A B/L. sets forth the ship's name, the skipper's name, the port of destination, the number and weight of goods shipped, their marks, the agreed conditions concerning freight and primage, and the name of the person to whom the goods are to be delivered. A B/L. is an instrument of possession, and, during the voyage, represents the goods shipped, just as a *warrant* represents the goods lodged in a dock warehouse. Any person in the lawful possession of a B/L. is therefore considered as the lawful owner of the goods for which it has been issued and invested, with all the rights and liabilities attaching to them under the document. Like a warrant or any other instrument of credit, a B/L. may be either deposited with a creditor as a security for money advanced, or transferred to a buyer by means of endorsement, and the property of the goods will be thereby assigned either absolutely or by way of mortgage. A *Clean* B/L. is one in which there is no clause detrimental to the shippers. A B/L. must be *impressed* with a sixpenny stamp before execution.

Stamp 6d. embossed.

B
J
S
*Antwerp.*
6 *B/s.*
*numbered*
1000 *to* 1005,
*respectively.*
Charges :—
£

Shipped in good order and well conditioned by Messrs. Jones & Co., in and upon the good Steam-Ship "*Victoria*," whereof *Captain John Dale* is Master for this present voyage, now lying at **GOOLE**, and bound for *Antwerp, six bales printed cottons*, being marked and numbered as in the margin, and are to be delivered in the like good order and condition at the aforesaid port of *Antwerp*, or so near thereto as she can safely get (the act of God, &c., excepted), unto *Messrs. Bruce & Sykes* or to their assigns, they paying freight for the said Goods, *Two pounds, seven shillings and eightpence*, with primage and average accustomed, and Charges as stipulated. In witness whereof the Master or Agent of the said ship has signed *three* Bills of Lading, of this Tenor and Date, one of which being accomplished the others to be void. Dated in **Goole**, 13*th July*, 1920. Weight and contents unknown.

*JOHN DALE.*

**529. BILL OF SALE (B/S.).** A Document assigning personal property and generally given as security for a loan which must not be less than £30. It empowers the assignee to seize and dispose of the property assigned upon the non-fulfilment of certain conditions respecting the repayment of both principal and interest. Bills of Sale, which must be registered and stamped, are either **absolute** or **conditional.** An **absolute** Bill of Sale is a sale out and out, the property in the goods passing to the grantee, without the grantor retaining any rights of redemption. A **conditional** Bill is a mortgage of personal chattels and its object is to secure the payment of money. In this case, although the property in the goods passes to the grantee on the execution of the deed, the grantor holds possession of the goods until default, and has a right to redeem them by payment of the money secured by the Bill. While the signatures to a conditional Bill may be attested by one or more credible witnesses, it is necessary that a *Solicitor* should attest the signature to an *absolute* Bill.

**530.** A **BLANK CHEQUE** is one signed by the drawer without any amount being filled in. When such a cheque is issued it is usually with the intention that the payee or some other authorised person should fill in an amount sanctioned by the drawer. A blank cheque is an unsatisfactory document to give to anyone, as it might easily fall into the hands of some person who would make a wrong use of it.

**531. BOARD OF TRADE.** A department of H.M. Government for the superintendence of all matters relating to the mercantile marine trade and navigation. The "Board of Trade Returns," published monthly, supply information as to the imports and exports.

**532. BOND.** A bond is a document under seal by which a person binds himself to pay a sum of money at a given time, or under special conditions. The person giving the bond is called the *obligor*, and he to whom it is given the *obligee*. Bonds are often given by Governments and Corporations as securities for loans. According to their character they are named respectively: Bonds to Bearer; Currency Bonds; Exchequer Bonds; Gold or Sterling Bonds; Lottery Bonds; Registered Bonds; Lloyds Bonds.

**533. BONDED GOODS.** Merchandise liable to duty, deposited in Government or Bonded Warehouses (known in France as Entrepôts) until the duty upon them is paid. While the duty remains unpaid the goods are said to be "In Bond," a bond having been signed on behalf of the owners, that the duty will be paid when the goods are removed for consumption.

**534. BONUS.** An extra dividend occasionally paid to shareholders in public companies when extraordinary profits are realised. Also a periodical addition made to Life Assurance Policies out of the ordinary profits of the business.

**535. BOOK DEBTS** are the unpaid a/cs. or debts receivable standing in a merchant's books; that is, the amounts owing to you by your customers or debtors; the Dr. Balances of personal a/cs.

536. **A BOOM** is an upward rush of prices produced by active speculation. This word is usually employed by financial writers to signify a manufactured or manipulated advance, intended to attract the public to buy when prices are near the top. A Boom is often followed by a **Slump,** which is a sudden depreciation in securities, frequently resulting in a crisis, and eventually in a panic.

537. **BOTTOMRY.** A contract by which the owner or captain of a vessel borrows money on the security of the bottom or keel, by which, a part being put for the whole, is meant the ship itself. If the ship be lost, the lender loses all his money. If on the contrary it returns in safety, he receives back the principal with interest at any rate which may be agreed upon between the parties.

The necessity for bottomry generally arises when the captain of a vessel is forced, perhaps by his ship springing a leak, to put into a strange port, where he must raise money to pay the cost of repairs and other charges. Should a captain, after granting a Bottomry Bond, meet with further disaster, and have to raise more money by bottomry before the completion of his voyage, the last bond must be paid first, the holder of the first bond having to be content with the settlement of his claim last. **Respondentia** is a contract by which the owner or captain of a vessel borrows money on the security of the cargo, in which case the borrower is personally responsible and is bound to answer the contract. The chief difference between a Bottomry and a Respondentia bond is that the principal and interest secured by the latter document must be repaid, as the borrower is personally liable.

538. **BOUNTY.** A bonus or premium paid by certain Governments to manufacturers or merchants, by which the latter are enabled to export certain goods at a cheaper rate, and so undersell other countries.

539. A **CAMBIST** is a person who deals in foreign moneys, notes and bills of exchange. One who is skilled in the value of foreign moneys and the operations of exchange.

540. A **CASH CREDIT** is an undertaking on the part of a bank permitting a customer to overdraw his current account up to a specified limit, usually ranging from £100 to £1000. It is usual for the customer either (1) to deposit securities to partially or fully cover the overdraft, or (2) to enter into a Bond, with two or more sureties, the latter guaranteeing to satisfy the claims of the bank in the event of the insolvency of the customer. The sureties should keep a watchful eye on the state of the accounts, and if they find that the customer is not conducting his business properly, they can authorise the bank to call in the loan and can give notice to withdraw their guarantee. A **Commercial Credit** is an undertaking whereby a bank engages to accept on behalf of an importer of goods documentary bills drawn upon it by the relative exporter for the cost of the shipment. The bank holds the documents of title

to the goods as security, as against the importer, upon whose behalf it has accepted the bills.

**541.** A **CASH ORDER** is a bill of exchange drawn by one person on another. For example, a wholesale dealer, Arthur Adams, who has supplied goods to, say, Bryan Bates, a shopkeeper, draws a cash order upon him usually in the following form :—

Boar Lane, Leeds,

£50. 8th June, 1920.

2d. Stamp. On demand pay to Lloyd's Bank, Ltd., or order, the sum of Fifty pounds sterling for value received.

ARTHUR ADAMS.

To Mr. Bryan Bates,
Kirkgate, Wakefield.

The order must be endorsed by the banker to whom it is payable, or, if payable to the drawer's order, by the drawer. The cash order is sent to the banker in the town where Bryan Bates lives for collection, and the banker sends out a messenger to Bryan Bates' address and presents the order for payment. It is expected that the order will be paid in cash, though in some cases payment is received by cheque, when it is known that the drawer is perfectly good, and the cheque can be collected the same day. In some districts it is customary for the drawee, when the order is presented, to accept it payable at his bankers in the same town. When this is done, it should be passed through the local clearing house on the same day. The remitter of the order often gives instructions that, if it is not paid on the day of receipt, it may be held over till the following day. In the absence of such instructions the remitter should be advised if a cash order is held over. If the drawee is not at home when the messenger calls a note is left that the order is at the bank and requires his attention. Cash Orders are not, as a rule, accepted by the drawee and consequently he cannot be sued upon them, but if he gives his cheque in exchange, and it is dishonoured, he can be sued upon the cheque.

**542. CERTIFICATE.** The paper which testifies to the ownership of stocks or shares in a joint stock company. It is issued under the common seal of the company, and is usually signed by one or more of the directors and the secretary. Except as a ready means of proving that the individual named in the paper is the owner of so many shares in this or that limited company, numbered, say, from 1000 to 1100, on which so much has been paid up (or fully paid), or holds stock to the value of so much, the certificate has no value. Possession of it does not entitle the holder to claim the shares or stock standing in the name upon it. That can only be done in the event of the holder signing a *transfer* upon which the name of the transferee is to be found. Therefore the mere loss of a certificate of ownership does not entail loss of the property held. The proof being given to the company that the loss has taken place, the owner can usually get a new certificate on signing a *Letter of Indemnity*.

**543. CERTIFICATES of PAST PROFITS.** A paper issued by professional accountants, generally embodied in the prospectuses of companies formed to buy businesses already in existence, in which is set forth the net earnings of the concern to be taken over. Sometimes these certificates are reliable, oftener they are misleading; but the deception is not necessarily the work of the accountant. Important facts about the business may have been concealed from him; it may be entering on a period of low profits or decay, or it may have been worked for a few years back, over which the accountant has been permitted to look, with a view to its transformation and sale. Complete reliance, therefore, is never to be placed on these certificates.

**544. CHARTER PARTY (C/P.).** A contract by which an entire ship, or some principal part thereof, is chartered or let to a merchant (*the charterer*) for the conveyance of goods for a defined period of time or on some determined voyage to one or more places. This contract can be made by the owner or his agent, or by the captain on behalf of the owner. This document must state the voyage to be performed and the terms on which the goods are to be carried. It must specify the ship's tonnage, the number of days to be consumed in loading and unloading (known as lay days), the demurrage to be charged for the ship's detention beyond that time, the course she is to pursue, and all particulars necessary to bind the parties to the terms agreed upon between them. A certified copy of the original C/P. is made for the charterer. A **time charter** is one where the vessel is hired for a specified length of time; while a **voyage charter** is one where a vessel is chartered for a certain determined voyage or voyages irrespective of time. The stamp duty on the original is sixpence, which may be denoted either by an adhesive or embossed stamp.

**545. CIRCULAR NOTES,** which are convenient in travelling, are obtained from a banker on payment. They are addressed by the issuing banker to his correspondents at a distance reqesting them to pay a sum named to the person named, whose signature is to be found in a separate *letter of indication*. The circular notes are already filled up with their amounts and signed by the issuing banker. All that the person named has to do is to present the **letter of indication,** his signature on which proves his identity, and endorse the notes with a like signature. If a thief steals the notes without the letter of indication, they are of no use to him. If he steals the letter as well and forges a signature resembling that contained therein, the correspondent who cashes the note cannot recover the amount from the issuing banker, and, if the banker pays, he cannot take credit for the payment as against the person whose name is forged. The person in whose favour the notes are drawn is not obliged to use them, and is entitled to have the money for the unused notes refunded.

**546. CLEARING.** A system adopted by **banks** for exchanging among themselves, such bills, drafts, and cheques, due by any one of them, which are in the possession of another instead of attending separately at the banks upon which they are drawn. The London Bankers Clearing House is the medium through which bankers obtain the amount of cheques and bills in their hands for collection among other bankers. Clearing bankers settle the whole amount delivered during the day at this establishment by receiving or paying the difference in their amount by a single cheque on the Bank of England. Below are the official returns for five months :—

| 1910. Weeks ending. | Town Clearing. | Country Clearing. | Total. |
|---|---|---|---|
| January 1 to April 6 | £3,639,096,000 | £308,777,000 | £3,947,873,000 |
| ,, 13 | 240,034,000 | 23,149,000 | 263,183,000 |
| ,, 20 | 310,592,000 | 26,035,000 | 336,627,000 |
| ,, 27 | 223,561,000 | 21,691,000 | 245,252,000 |
| May 4 | 316,522,000 | 23,573,000 | 340,095,000 |
| ,, 11 | 242,040,000 | 26,738,000 | 268,778,000 |
| ,, 18 | 266,845,000 | 22,137,000 | 288,982,000 |
| ,, 25 | 216,717,000 | 21,073,000 | 237,790,000 |
| June 1 | 307,771,000 | 22,612,000 | 330,383,000 |
| Total... | £5,763,178,000 | £495,785,000 | £6,258,963,000 |

**547. CLEARING A VESSEL** is the obtaining of the license of the Custom House Officer before a ship is allowed either to depart on her voyage or to clear herself after her voyage is completed. This license is known as clearance ; which may be outward or inward.

**548. COMMENCING BUSINESS.** A Joint Stock Company is prohibited from commencing any business or exercising any borrowing powers unless—(*a*) shares held subject to the payment of the whole amount thereof in cash have been allotted to an amount not less in the whole than the Minimum Subscription ; (*b*) every Director of the Company has paid to the Company on each of the shares taken or contracted to be taken by him, and for which he is liable to pay in cash, a proportion equal to the proportion payable on application and allotment on the shares offered for public subscription, or, in the case of a Company which does not issue a Prospectus inviting the public to subscribe for its shares, on the shares payable in cash ; (*c*) there has been filed with the Registrar a Statutory Declaration by the Secretary or one of the Directors, that the aforesaid conditions have been complied with ; (*d*) in the case of a Company which does not issue a Prospectus inviting the public to subscribe for its shares, there has been filed with the Registrar a Statement in Lieu of Prospectus. On the Statutory Declaration being filed the Registrar issues his Certificate that the Company is entitled to commence business, and such Certificate, usually described as the **Trading Certificate,** is conclusive evidence that the Company is so entitled.

**549. COMMERCE.** The intercourse of nations in each others produce and manufactures, in which the superfluities of one are given for those of another, and then re-exchanged with

other nations for mutual wants. There is a distinction between commerce and **trade**; the former relates to our dealings with foreign nations, colonies, &c., the latter to mutual dealings at home.

**550. COMPENSATING INTEREST.** Where the customer of a bank has two accounts, one in credit and one overdrawn, and the former is regarded as a set off to the latter, interest is allowed in the credit account to compensate for the interest charged on the overdraft, so long as the overdraft does not exceed the credit balance.

**551. CONSIDERATION.** The price, motive, or matter of inducement of a contract, which must be lawful in itself. The consideration is the very life of a simple contract or parol agreement; while a speciality, or contract under seal, does not require a consideration to make it obligatory at law, the law always presuming a sufficient consideration, which the parties, except in special cases, are stopped from denying. The law, then, not only requires a consideration in the case of a simple contract, but that it should be valuable—*i.e.*, a legal consideration emanating from some injury or inconvenience to the one party, or from some benefit to the other party. A good consideration, *i.e.*, an equitable consideration founded upon mere love, affection, or gratitude, will not support a contract.

**552. CONSOLS** is an abbreviation of **Consolidated** which is a term used in reference to sundry funds or annuities bearing the same or different rates of interest, which have been severally merged or consolidated into one common capital. Hence 3% Consols, &c.

**553. CONSUL.** A Government official appointed to reside in some foreign country, to take charge of, facilitate, and extend the commercial affairs of his nation, and generally guard the interests of its subjects residing there. A consul is privileged to charge certain fees for sealing and signing passports, invoices, and other documents which he attests. A **Consular invoice** is one which has been viséd (sighted and signed) by the consul of the country to which goods are being sent. Some foreign Governments demand that invoices of all goods imported there shall be duly attested by their Consul who resides in the district or country from which the goods are exported, the Consul being entitled to make a charge for each document viséd by him.

**554. A CONTRACT.** An agreement between competent persons upon a legal consideration, to do or abstain from doing some act; or more shortly an agreement enforceable at law. The agreement may be by *parol*, *i.e.*, by word of mouth, or in writing *not* under seal; or, it may be by specialty (*i.e.*, by writing under seal), in which case it is more properly termed a *covenant*. And where a contract is not by specialty, it is called a *parol* or *simple contract*, to distinguish it from a contract

by specialty. A simple contract may be either *written* or *verbal*, and must be made upon a *consideration*, in order that an action may be founded upon it. In certain cases, defined by the Statute of Frauds and the Sale of Goods Act, 1893, the contract, or some note or memorandum thereof, must be made in writing and signed by the party to be charged therewith. A debt arising under a contract made by deed under seal is called a *specialty debt*. Whilst an ordinary or simple contract debt is *barred* after the lapse of *six years*, a specialty debt becomes barred only after *twenty years*.

**555. CONTRACT NOTE.** A short statement of the effect of a contract. In and for the purposes of the Stamp Act, 1891, this term means 'the note sent by a broker or agent to his principal (except where such principal is acting as a broker or agent for a principal) advising him of the sale or purchase of any stock or marketable security.'

**556.** A **CONTRIBUTORY** is a person liable to contribute to the assets of a Company in the event of its being wound up. In all proceedings for determining and in all proceedings prior to the final determination of the persons who are contributories, the term includes any person alleged to be a contributory. So far as a Company limited by shares is concerned, no contribution may be required from any member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as a present or past member.

**557. COPYRIGHT** is the sole legal right to print or publish anything which belongs to the author or his assigns. Copyright commences from the date of first publication, and the author is deemed to be the first owner of the copyright therein. The duration of copyright is the life of the author and fifty years after his death. A copy of every book should be sent to the British Museum within one month of publication. The only safe way to regard money expended upon the purchase of a copyright is to treat it as the purchase-money of a terminal annuity of very short duration.

**558. A CORPORATION** is created by an Act of Parliament or by a charter granted by the Crown, and is a legal "person" by itself and continues as a distinct body, irrespective of any changes which may take place amongst the members. Railway companies are incorporated under private Acts of Parliament, and most trading companies under one of the Companies Acts. In considering an application for a loan, the banker must ascertain if the Corporation has power to borrow, and, if it has power, whether the money to be borrowed will cause the limit of such borrowing powers to be exceeded. In all dealings with a limited company, whether with regard to the borrowing of money, or the charging of the company's property, or the manner in which cheques are drawn, a banker is taken to be acquainted with the memorandum and articles of association

of the company, and is affected with notice of all that is contained in those two documents.

**559. COST BOOK SYSTEM.** The Stannary Laws were passed in 1869 and 1887, for the regulation and management of **mining companies** within the Stannaries (*i.e.*, **Cornwall** and **Devon**). Such companies are frequently formed in accordance with a somewhat curious local custom, on what is known as the Cost Book System. This is a customary form of partnership for working mines in Cornwall and Devon, according to which each partner is at liberty to transfer his shares without the consent of his co-partners. Any partner is at liberty to determine his liability at any time by relinquishing his shares. No fixed capital is necessary, money being called up as it is wanted. The affairs of the partnership are managed by an agent called the *purser*, subject to the control of the partners in their periodical meetings. The purser and any one of the partners are agents for and can bind the whole body in respect of any contract relating to the carrying on of the mine, other than transactions in the way of borrowing money. The accounts are open to the inspection of the partners at the meetings, and the agreement into which the partners have entered, the receipts and expenditure of the mine, the names of the shareholders, their respective accounts with the mine, and the transfers of their shares, are entered in a book or books called the *Cost Book*.

**560. COUNCIL BILLS** are Bills of Exchange on demand, drawn by the India Council in London (that is the Secretary of State for India) on the Government Treasuries of Calcutta, Madras and Bombay. The Government of India has to pay to the British Government each year, some £18000000 for interest on loans and for the maintenance of the military and civil forces in India. Although the revenues of India are collected at three treasuries in silver, the amount due to us must be paid in gold. The readiest way to convert the silver into gold is by selling drafts for an equivalent amount of rupees payable in India. The Secretary of State for India is advised from Calcutta, Madras and Bombay, that there is a certain amount available for remittance, and thereupon he advertises that he is prepared to receive tenders for so many lacs of remittances or rupees on India. On Wednesday, in each week, the tenders are opened, and, if at the proper rate, accepted. The purchasers of these drafts are generally the Indian Banks, who have remittances to make to their creditors in India. Therefore an India Council draft is equivalent to so much silver deposited in India. The purchaser of the draft pays gold to the British Government, while the India Treasury on presentment of the draft, pays silver to the holder, who is the creditor of the purchaser. Money may also be transferred by means of **Telegraphic Transfers** (**T/t's**) which enable a person in London to pay rupees to a house in Calcutta, on any *particular date*, on his paying an equivalent amount in gold to the

Bank, calculated at the transfer rate of the day, when the Bank would cable to their Calcutta Branch to pay the nominee the sum required. The following is the weekly report from a financial paper :—

BILLS.

| Rate. s. | Rate. d. | Tendered. R's. | Accepted. R's. | % |
|---|---|---|---|---|
| 1 | $3\frac{31}{32}$ | 20,000 | 20,000 | 100 |
| 1 | $3\frac{15}{16}$ | 57,00,000 | 18,10,000 | 31 |
| 1 | $3\frac{29}{32}$ | 4,00,000 | — | |
| 1 | $3\frac{27}{32}$ | 20,000 | — | |
| Total | | 61,40,000 | 18,30,000 | |

TELEGRAPHIC TRANSFERS.

| Rate. s. | Rate. d. | Tendered. R's. | Accepted. R's. | % |
|---|---|---|---|---|
| 1 | $4\frac{1}{16}$ | 2,00,000 | 2,00,000 | 100 |
| 1 | $4\frac{1}{32}$ | 1,33,00,000 | 39,70,000 | 3 |
| 1 | 4 | 13,00,000 | — | |
| Total | | 1,48,00,000 | 41,70,000 | |

| | Tendered. | Accepted. |
|---|---|---|
| Grand Total | R's.2,09,40,000 | R's.60,00,000 |

The amounts disposed of and rates obtained were as follows :—

| | Council Bills R's. | Average. | Minimum. | |
|---|---|---|---|---|
| Calcutta..... | 6,67,000 | 1/3·937*d*. | $1/3\frac{15}{16}$ | 31% |
| Bombay..... | 6,14,000 | 1/3·937*d*. | $1/3\frac{15}{16}$ | 31% |
| Madras ..... | 5,49,800 | 1/3·937*d*. | $1/3\frac{15}{16}$ | 31% |

| | Telegraphic Transfer R's. | Average. | Minimum. | |
|---|---|---|---|---|
| Calcutta..... | 28,36,000 | 1/4·033*d*. | $1/4\frac{1}{32}$ | 31% |
| Bombay..... | 10,16,000 | 1/4·033*d*. | $1/4\frac{1}{32}$ | 31% |
| Madras ..... | 3,18,000 | 1/4·031*d*. | $1/4\frac{1}{32}$ | 31% |

From April 1st to May 10th, inclusive, the Council had granted remittances for R's. 3,86,90,125, realising £2,568,799. To the corresponding date of last year R's. 1,25,34,338, realising £783,622 had been disposed of. The amount offered next week will be 60 lacs.

**561. COUNTER-SIGN.** The signature of a secretary, manager, or other subordinate officer to any writing signed by the principal or superior to vouch for the authenticity of it; *e.g.*, the order of a Town Council for payment of money out of a 'borough fund' must be signed by three members of the Town Council, and countersigned by the Town Clerk.

**562. A CREDIT NOTE (C/N.)** which is a statement (in red ink), sent to a person showing the particulars of an amount in respect of which you are crediting him, is generally used when goods are returned, an abatement is being made, or an over-charge rectified.

**CREDIT NOTE.** 625 Cheapside,
LONDON, 22nd June, 1920.

*Messrs. Owen & Dew, Leeds.*

**Cr.** in A/c. with **Charles Mee & Co., Ltd.**

| | | | |
|---|---|---|---|
| By Return of Goods invoiced 19th June.....£ | | 9 | 10 |

**563. DEBENTURE.** A Certificate given by the Custom House to the exporter of goods entitling the merchant to receive payment for the **drawback** (excise duties returnable by the authorities on exportation of excisable goods) allowed on the goods being exported.

**564.** A **DEBIT NOTE (D/N.)**. which is a statement, in the form of an invoice, sent to a debtor, showing the particulars of an amount in respect of which you are debiting him, is used when you discover that he has been undercharged for certain goods, or in the event of an invoice being undercast.

**DEBIT NOTE.** 625 Cheapside,
LONDON, 30th June, 1920.

*Messrs. Owen & Dew, Leeds.*

**Dr.** to **Charles Mee & Co., Ltd.**

| | | | |
|---|---|---|---|
| To Undercasting of invoice dated 26th June.....£ | 1 | – | – |

**565. DEBTOR** and **CREDITOR.** A **Debt** is that which is due from one person to another, whether money, goods, or services and whether payable at present or at a future time; that which one person is bound to pay or perform for another. When a debt becomes due, it is the duty of the debtor to pay it without waiting for any demand. It is in general the duty of the debtor to seek out his creditor for the purpose of paying him. A creditor is not bound to give change to his debtor, whose duty it is to tender the exact amount of his debt in legal currency (see Legal Tender). The ordinary mode of enforcing a debt, not exceeding £50, is by commencing an action in the County Court; for a larger sum proceedings must be commenced in the High Court, but either party may have the action remitted to the County Court, if the amount does not exceed £100. **Crown Debts** are those due to the Government or

Crown in respect of Taxes, &c. The Crown claims priority for its debts over all other creditors, and to recover them by summary process. A **Judgment Debtor** is one to whom directions have been given by a Judgment of the Court to pay a sum of money to another person, known as the *Judgment Creditor.* A **Judgment Creditor** may enforce judgment in various ways :—(1) By writ of *fieri facias*, by which the sheriff can seize the debtor's *goods.* (2) By writ of elegit, by which the sheriff can take possession of the debtor's *lands.* (3) By garnishee order by which debts due to the debtor from a third person, *e.g.*, a banker, can be attached. (4) By a charging order, by which shares or stocks belonging to the debtor can be charged with the payment of the judgment debt. The **Debtors' Act, 1869,** abolishes imprisonment for debt except in case of default of payment of penalties, default by trustees or solicitors, and certain other cases ; and provides for committal of debtors in default of payment of judgment debts which the debtor *can but will not pay,* and in certain other cases. It also provides for the punishment of fraudulent debtors.

**566. DEFAULT SUMMONS.** A procedure in the County Courts for the summary recovery of a debt or liquidated demand. This summons, which the plaintiff may upon filing an affidavit of the debt, cause to be issued instead of the summons in the ordinary form, is personally served on the defendant, and if he did not, within 8 days after service, give notice in writing by post or otherwise to the registrar of the court from which the summons issued, of his intention to defend, the plaintiff may, after 8 days and within 2 months, upon proof of service or of an order for leave to proceed as if personal service had been effected, have judgment entered up for the amount of his claim and costs.

**567. DEMURRAGE.** A charge of so much per day made by the owners of vessels for their detention beyond a specified time. Legal holidays and Sundays are not charged for. The term is also used for a charge made by railway companies for detaining their horse boxes, waggons, trucks, &c., beyond a given time. **Keelage** refers to the dues or fees paid by a vessel on her entering and resting in certain ports and harbours in the Kingdom. **Lay Days** is a term used in shipping to signify the number of days allowed for loading or unloading ships, as agreed upon by the owners and charterers, or the owners and freighters, as the case may be. The Lay Days commence as soon as the ship has been given permission to load or to discharge.

**568. DESIGNS** and **MODELS** are treated as an asset, through the opening of a separate account. They are depreciated annually, either by means of a fixed rate on diminishing values, or by re-valuation.

**569. DISTRESS** is the legal remedy which consists in the taking of a chattel of the wrong doer by the injured party as a means either of compelling him to give redress or of obtaining satisfaction out of the thing seized. This remedy is principally available (*a*) where a tenant has made default in paying his rent (*b*) where a person liable to pay certain rates and taxes had made default in paying. Also where cattle stray and do damage they may be distrained upon. **Replevin** refers to a personal action to recover possession of goods unlawfully taken (generally applied to the taking of goods distrained for rent), the validity of which taking it is the mode of contesting if the party from whom the goods were taken wishes to have them back, whereas, if he prefers to have damages instead, the validity may be contested by action of trespass or unlawful distress.

**570. DIVIDEND (Div.)** (1) The share paid to the creditors out of the funds realised from the sale of an insolvent's estate. These dividends are sometimes paid by instalments. For instance, suppose that the whole of the assets of an insolvent cannot be immediately realised, the Trustee or Official Receiver would probably declare a "first dividend of 5/- in the £." and subsequently declare a "second and final dividend of 5/- in the £."

(2) A share of the profits of a Public Company ; the interest payable on any portion of the national debt or other stock. "*Ex. Dividend*" is a stock exchange phrase to signify that the price at which a given security is quoted is *exclusive* of dividend. Unless so specified the security in question is "*cum-dividend*," meaning that the interest accrued since the previous distribution is covered by the purchase money. A **dividend warrant** is an order for payment, in the form of a cheque payable on demand, and therefore transferable by endorsement. An **interest warrant** is an order for the payment of a periodical dividend, and is generally sent by post to the holders of registered and other public stocks, as the interest becomes due. **Coupons** are certificates of interest or dividends bearing different dates attached to the foot of transferable bonds and debentures. The word "coupon" means a cutting, and as the dividends fall due the certificates are cut off and paid into the bank for collection just like a cheque. **Unclaimed dividends** on stocks and shares are those not claimed by their owners, and the total amount in respect thereof should appear among the Liabilities in the Balance Sheet. Those on British Government Securities are paid over to the National Debt Commissioners at the end of 10 years, but the liability remains.

Corporations and Companies when **remitting dividends** to stock or shareholders generally do so by means of a combined **Circular** or **Notice** and **Warrant,** perforated across the middle, so that the Warrant may be detached for cashing. The following is a **specimen** of the combined documents :—

# The Castner-Kellner Alkali Company, Limited.

## INTERIM DIVIDEND NOTICE AND WARRANT. (22)

13, Abchurch Lane, London, E.C.,
28th May, 1910.

Herewith I beg to hand you a Warrant on the Bankers of the Company for Dividend at the rate of £12½ per cent. per annum for the six months ending 31st March, 1910.

On 360 Shares of £1 each .... ... .... £ 12 : 10 : -
*Less* Income Tax at 1/2 in the £ ... - : 14 : 7
£ 11 : 15 : 5

I hereby certify that the Income Tax deducted will be duly paid to the proper official for the receipt of Taxes.

To A. Fieldhouse Esq

By Order,
PERCY S. COURT,
Secretary.

# The Castner-Kellner Alkali Company, Limited.

INTERIM DIVIDEND WARRANT FOR THE SIX MONTHS ENDING 31st MARCH, 1910. (22)

No. 357

London, 28th May, 1910.

To Messrs. ROBARTS, LUBBOCK & Co., 13, Lombard Street, London.

Pay A. Fieldhouse Esq or Bearer.

the sum of Eleven Pounds 15/5

ONE PENNY

For and on behalf of The Castner-Kellner Alkali Company, Limited.

Director.

Secretary.

£ 11 : 15 : 5.

Signature of Payee Arthur Fieldhouse

**571 DOCK WARRANT.** (D.W.) A receipt for goods lodged in public warehouses, showing date of entry, to whom the goods belong, the date rent commences, and such other particulars as are necessary to identify the goods. It requires a 3d. stamp. **Warrants** for **iron** differ from warrants for other goods in so far that, by the custom of the iron trade, an endorsee obtains the goods free from any vendor's claim for purchase money. Where a bank has taken iron warrants as security, and the original purchaser had not paid for the iron, it was held that the bank was entitled to delivery of the iron. A

**Delivery Order (D/O.)** is an unstamped order from the owner of goods lodged at a warehouse, dock, or wharf, instructing the inspector to deliver the goods to the bearer of the order, or the party named thereon by endorsement. Both a D/W. and a D/O. are negotiable instruments; that is, they are documents which by passing from hand to hand, transfer the right to the property referred to therein, and of which they are the title deed.

572. **EMBEZZLEMENT** is the conversion by a *clerk* or *servant* of any chattel, money, or valuable security delivered to or received, or taken into possession by him for or in the name or on a/c. of his master or employer. **Larceny** is the unlawful taking and carrying away of things personal, with intent to deprive the rightful owner of the same. A person is guilty of felony if he steals, or for any fraudulent purpose, destroys, cancels or obliterates, any cheque, bill, note, certificate, debenture, deed or other security for money or for payment of money. Embezzlement differs from Larceny in this, that in the former the property misappropriated is not at the time in the actual or legal possession of the owner, whilst in the latter it is.

573. **ENDORSEE.** The person who acquires the right conveyed by any negotiable instrument, B/E, B/L, D/W, D/O, in consequence of its being made over to him by *endorsement.* An **endorser** is one who endorses a bill or other negotiable instrument, and thereby transfers his interest or claim therein by writing his name at the back of such instrument.

574. **ERRORS EXCEPTED,** or Errors and Omissions Excepted, (**E.E.** and **E.** & **O.E.**) generally written at the foot of invoices, statements, and a/cs., in order to reserve the right of making rectifications at any future date.

575. **EXECUTION.** (1) The putting in force the sentence of the Law in a judicial proceeding, such as the seizure of goods owned by a person against whom a judgment has been given in a Civil Court, for the purpose of satisfying the amount of the judgment by the proceeds of their sale. (2) The signing of a deed or will, or other written instrument, in such a manner as to make it legally valid.

576. The **FINDER OF GOODS** acquires a special property in them, available against all the world, except the true owner; he is bound, however, before appropriating them to his own use, to take all the means in his power to discover the owner. If the property had not been designedly abandoned, and the finder knew who the owner was, or with due exertion could have discovered him, he is held guilty of larceny if he keeps and appropriates the article.

577. A **FIRM OFFER** or **REFUSAL** is one where goods are offered to a merchant at a certain price within a given period, and until he has either refused them or the period has expired, they are not offered to anyone else.

578. **A FOLIO** (Fol.) is an opening in a book, or two pages facing each other, both pages having the same number. This word, however, is often employed when speaking of a separate page, particularly when containing a debit and credit side.

**579. FORGERY** is the fraudulent making or alteration of a writing or seal to the prejudice of another man's right, or of a stamp to the prejudice of the revenue.

**580. FRAUDULENT PREFERENCES.** Every conveyance or transfer of property or charges thereon made, every payment made, every obligation incurred, and every judicial proceeding taken or suffered by any person unable to pay his debts as they become due from his own moneys, in favour of any creditor, with a view of giving such creditor a preference over other creditors, is fraudulent and void against the trustees in Bankruptcy if the debtor becomes bankrupt within three months.

**581. FREIGHT.** The amount paid for the hire of a ship, or a charge for carrying or transporting goods or cattle by water. The cargo of a ship. *Dead Freight* is the compensation paid by the freighter of a whole ship for space remaining unoccupied when the cargo is not a full one.

**582. GARNISHEE.** A debtor who has received notice *not* to pay money which he owes to a third party, who is indebted to the party giving the notice. A Garnishee Order may be obtained by a judgment creditor against a *garnishee*, attaching any debts due to a judgment debtor. **Attachment** is the seizure of a debtor's property.

**583. GAZETTE.** The official newspaper of the Government, said to have been first published at Oxford in 1665; on the removal of the Court to London the title was changed to the "*London Gazette.*" It is published on Tuesdays and Fridays and contains all the acts of state, proclamations, and appointments to offices under the Crown; also all orders in Council; and such other Orders, Rules, and Regulations as are directed by Act of Parliament to be published therein; also dissolutions of partnership, notices of proceedings in Bankruptcy, Bills of Sale, Deeds of Assignment. The **Mercantile Agencies** of Kemp's, Perry's and Stubbs, all of which give confidential advice and collect debts, also issue to their subscribers, weekly or bi-weekly, a *Gazette*, giving lists and details of Bankruptcy Proceedings, Administration Orders, Bills of Sale, Satisfactions, County Court Judgments, Deeds of Arrangement and Assignments, Dissolutions of Partnerships, Distribution of Assets, Chancery Notices, Warrants of Attorney, Winding-up Notices, &c.

**584. GILT-EDGED SECURITIES.** A familiar term used to describe stocks on which the interest is as absolutely safe as it is humanly possible for any income-producing investment to be, such as Consols, home municipal corporation stocks, the leading British railway debenture guaranteed and preference stocks, &c.

**585. GOODWILL.** The value of a business bought as a going concern, over and above the cash price of its marketable assets, such as houses, lands, leases, plant, tools, and stock-in-trade. In a general way, *goodwill* should represent so many years' purchase of the profits of a business—the fewer years the better. Three years is a good general average; so that the

*goodwill* of a business returning £10000 per annum net, would be about £30000. Whatever price is paid when a limited company takes over a private business, it is always included among the company's assets, sometimes as a separate item, generally merely in one sum with the rest of the money paid for what may be described as a tangible asset. The study of all companies ought to be to write this item off out of income as quickly as possible, because it is a burden upon the revenue, and a source of weakness. If anything goes wrong with the company, so that its revenue declines, or if the company fails and has to be wound up, the money paid for *goodwill* is lost.

586. **HOLDING OUT.** A legal expression indicating the representation by a person that he is a partner in a particular firm. A person who *holds himself out* as being a partner in a specified firm is liable as if he were a partner to any person giving credit to the firm in question upon the strength of such representation.

587. **HYPOTHECATION** is the giving over of a thing by way of pledge or mortgage; as the giving of documents which convey a right to property—B/E., B/L., B/S., D/W., &c. When property of any kind is hypothecated as security for a debt, the property remains in the hands of the debtor or borrower, and is thus distinguished from a **pawn**, where the property is given into the hands of the creditor or lender. **A Letter of Hypothecation (L/H.)**, which is prepared in triplicate, like a B/L., gives to the holder of the B/E. a *lien* upon the goods against which the bill is drawn.

588. **INCORPORATION.** The formation of a legal or political body, with the quality of perpetual existence and succession, except so far as limited by the act of incorporation.

589. An **INDENT** was formerly a foreign order written on a form torn in a zigzag *indented* line from a counterfoil, so as to afford the means of detecting forgery or fraud; but this term now means any order received from a foreign correspondent.

590. An **INFANT** is a person under the age of 21 years. Infancy is no protection against a claim founded upon a tort committed by an infant; but those "under age" are subject to certain disabilities in respect of contracts. They have a qualified power of contracting, but are only bound by such contracts as are for their benefit and advantage. The Infants' Relief Act, 1874, provides:—(1) That all contracts, whether by specialty or simple contract, entered into by infants for the repayment of money lent, or to be lent, or for goods supplied or to be supplied (other than contracts for necessaries), and all accounts stated with infants shall be absolutely void, provided always that this enactment shall not invalidate any contract into which the infant may, by any existing or future statute, or by the rules of common law or equity, enter, except such as now by law are voidable. (2) No action shall be brought whereby to charge any person upon any promise made after full age to pay any debt contracted during infancy, or upon any ratification made after full age of any promise or contract made during infancy, whether there shall, or shall not, be any

new consideration for such promise or ratification after full age. It must be noted that an infant can contract for necessaries, viz. :—Such food, clothing, medicine, and lodging as are necessary and suitable to the age, rank, and condition in life of the infant. It lies upon the plaintiff to prove that the articles supplied were suitable not only to the condition in life of the infant, but also to his actual requirements at the time of sale and delivery.

**591. INHABITED HOUSE DUTY** is a permanent tax levied by the Government upon the annual value of inhabited houses and places of business, if also used as habitations, except by the necessary caretaker. It is collected by the Income Tax authorities from the tenant, and is *not* deductable from the rent. The scale of duty is as follows :—

| Description of Property :— | Shops, Inns, Farm Houses, Registered Lodging Houses, &c. | | | Private Houses. | | |
|---|---|---|---|---|---|---|
| Annual Value :— | Not exceeding £40 | £41 to £60 | Exceeding £60 | Not exceeding £40 | £45 to £60 | Exceeding £60 |
| Rate of Duty ..... | 2d. | 4d. | 6d. | 3d. | 6d. | 9d. |

**592. INLAND REVENUE.** That portion (by far the largest) of the public revenue which is derived from the taxation of home commodities, and duties on property and income, houses, stamps, probates, legacies, &c., as distinguished from the portion derived by customs duties from imported commodities, such as foreign wine and spirits, tea, &c. **Contraband** is the term used to denote articles in which trade is carried on contrary to the provisions of (*a*) international law and comity (*b*) the revenue laws of a nation. A *Tariff* is a list or table of customs duties imposed upon specified classes of merchandise either on their importation or exportation.

**593. I.O.U.** a written acknowledgment of a debt, so called because it commences with those letters, which custom has substituted for the words "I owe you" because they have the same sound. It ordinarily runs thus :

*To Mr. Henry Lender, I.O.U. Five Pounds,*
*John Borrower, 1st January, 1916.*

If in the above form, it requires no stamp, being neither receipt, agreement, nor promissory note. If it contains a promise to pay the money it must be stamped as a promissory note, or as an agreement if the subject of which is of the value of £5. It is evidence of an *account stated* (see par. 503) with the creditor, if named : if he is not named, it is primâ facie evidence of an account stated with the person producing it. It is not negotiable.

**594. INSOLVENT** denotes the state of being unable to satisfy the whole of your creditors in full. Inability to pay twenty shillings in the £. **Solvent** means the opposite. A **Composition** is a payment of so much in the £ by an insolvent debtor in settlement of his debts, in lieu of the whole amount owing.

**595.** An **INSTRUMENT** is a writing containing some agreement, as a deed, contract, or order, &c.; so called because it serves to *instruct* one in regard to what has been agreed upon.

**596.** An **INVOICE (Inv.)** is a statement setting forth full particulars as to the quantity, quality, and price of goods sold or consigned to a purchaser or factor; the contents and marks of each parcel, and the charges (if any) upon them. Whether you purchase or sell goods, it is customary and advantageous for an Invoice to pass between the parties, simultaneously with the transmission of the goods. The advantages of an invoice are that on arrival of goods you can compare them with the particulars contained in the invoice; and should any discrepancy be discovered it can be speedily rectified by communicating the facts to the seller of the goods. A **Pro Forma** invoice is an imaginary one made out *for form's sake*, in order to ascertain what the charges are likely to be; and also for the use of the Customs authorities when goods are being consigned to some place abroad. Some merchants, when receiving orders to buy certain goods somewhat outside their general line of business, ask for a *pro forma invoice* of the items they are about to purchase, in order to ascertain the current market price of the goods, the manner and cost of packing, the discount, terms of payment, and the approximate cost the order would amount to.

*Telegrams:* "*Cloth, Huddersfield.*" 907 New Street,
*Telephone No.* **160.** **Huddersfield.**
*28th November*, 1919.

Thomas Sykes, Esq., Park Lane, Leeds.

**Bought** of SILVERWOOD & Co.,
Woollen and Worsted Manufacturers.

*Terms: One clear month's credit. Dis.* 2½%.

| Stock No. | Yards. | | | £ | s. | d. |
|---|---|---|---|---|---|---|
| 2834 | 51 as 50 | Black Serge.....@ | 1/11 | 4 | 15 | 10 |
| 2936 | 44 ,, 43 | ,, Vicuna ..... | 2/2 | 4 | 13 | 2 |
| 3004 | 46 ,, 45 | Blue Beaver ..... | 2/6 | 5 | 12 | 6 |
| 4616 | 59 ,, 58 | Light Fancy Tweed ..... | 2/8 | 7 | 14 | 8 |
| 1718 | 63½ ,, 62½ | Coarse Cheviot ..... | 3/- | 9 | 7 | 6 |
| 5108 | 49 ,, 48 | Black Worsted ..... | 3/1 | 7 | 8 | - |
| 7346 | 52 ,, 51 | Woollen Cord..... | 3/4 | 8 | 10 | - |
| 5110 | 29 ,, 28½ | Grey Overcoating ..... | 3/6 | 4 | 19 | 9 |
| 5111 | 37 ,, 36 | Oxford ..... | 3/7 | 6 | 9 | - |
| | | | £ | 59 | 10 | 5 |
| | | Discount..... | 2½% | 1 | 9 | 9 |
| | | Received by cheque £58 - 8. 1st Jan., 1920, Silverwood & Co. | £ | 58 | - | 8 |

**597. JETTISON** is the act of deliberately throwing overboard cargo or ship's tackle, to lighten the ship in a storm, or when otherwise in danger. All loss which arises in consequence of extraordinary sacrifices made or expenses incurred for the preservation of the ship and the cargo comes within "General Average," and this must be borne proportionately by all who are interested. **Barratry** signifies any wrongful act, wilfully committed on the part of the master or crew of the ship, with intent to defraud the owner, charterer, or insurer, whether by running away with the ship, sinking her, unlawfully deserting her, or embezzling the cargo.

**598. JOINT and SEVERAL LIABILITY.** When two or more persons declare themselves jointly and severally bound, this means that they render themselves liable to a *joint* action against all, as well as to a *separate* action against each, in case the conditions of the bond or agreement be not complied with. The party to whom they are so jointly and severally bound is called a joint and several creditor.

**599. LAND TAX** is a tax laid upon land and houses and was first imposed in 1698, being made perpetual in 1798, and superseding all the former methods of taxing either property or persons in respect of their property, whether by tenths or fifteenths, &c. Although generally a charge upon a landlord, yet it is a tax neither on landlord nor tenant, but on the **beneficial proprietor,** as distinguished from the mere tenant at rack-rent; and if a tenant has to any extent a beneficial interest, he becomes liable to the tax, *pro tanto,* and can only charge the residue on his landlord. Houses and buildings appropriated to public purposes are not liable to land tax. The Acts of 1798 passed for raising the usual annual land tax (£1989673 in England and Wales, and £47954 in Scotland) provided for its redemption and first fixed the quota to be paid by each parish in Great Britain, Ireland being exempt. Subject to redemptions the same amount has been subsequently collected in each parish to this day. The more agricultural counties, upon which the burden of the tax has fallen most heavily by reason of the depreciation in value of agricultural land, were greatly relieved by the **Finance Act, 1896,** which fixes the **maximum** at 1/- in the £ in any parish, instead of at 4/-, which former maximum it had reached or approached in more than one agricultural county, such as Norfolk, Essex, Lincolnshire and Suffolk. Subject to certain conditions and adjustments of the assessment, the land tax may be **redeemed (1)** by the single payment of a capital sum equal to 30 times the sum last assessed upon land; or **(2)** by the payment of such annual instalments of the aforesaid capital sum as may be agreed upon, subject to interest at 3% per annum on so much of the capital sum as remains unpaid.

**600. LAND VALUES DUTY.** The finance (1909-10) Act, 1910, imposes four new land taxes, viz.:—(1) The Increment Value Duty. (2) The Reversion Duty. (3) The Undeveloped

Land Duty. (4) The Mineral Rights Duty. The first two are taxes of capital, levied directly on owners; and the two last are taxes on income.

(1) **Increment Value Duty** which is at the rate of **£1** for every full **£5** of the increment value, is payable as a **stamp duty** in respect of the increase accruing after the **30th April, 1909,** in the **site value** of land; but (1) the expression *site value* has a technical meaning given to it, and (2) it is not every increase in site value which gives rise to the increment value, the subject of the tax. The rough idea of *site value* is that of the value of the land, as a cleared site, ready for building and trade purposes. It is asserted that, as population and industry grow, the value of land in England for such purposes, steadily, automatically and inevitably increases. That increase is quite apart from, and in addition to, any increase arising from the expenditure, skill or foresight of the owner or occupier. It is a steady stream of communal wealth deposited from year to year on the property of the fortunate owners of land in, or near, the growing towns and villages of the country. Hence that land is said to be naturally the legitimate subject of imperial taxation.

(2) **Reversion Duty,** which is at the rate of **£1** for every complete **£10** of the value of the benefit accruing to the lessor by reason of the **determination of the lease,** is payable within three months of such determination by the lessor, who is under an obligation to deliver to the Commissioners of Inland Revenue an account setting forth the particulars of the property and the estimated value of the accruing benefits.

(3) **Undeveloped Land Duty** is levied directly on the owner, and is at the rate of **one half-penny** for every **20/-** of the **site value.** That land is deemed to be undeveloped which has not been developed by the erection of dwelling-houses or of buildings, for the purpose of any business, trade, or industry other than agriculture (but including glasshouses or greenhouses) or is not otherwise used *bona fide* for any business, trade, or industry other than agriculture. There are numerous exemptions.

(4) **Mineral Rights Duty,** which is at the rate of **1/-** for every **20/-** of the **rental value** of all rights to work minerals and of all mineral wayleaves, is levied on the proprietor of the minerals if he is working them himself, and in any other case on the immediate lessor of the working lease. The immediate lessor, who is a lessee and pays rent, is entitled to deduct from his rent the duty paid by him in respect of that amount of rent.

**601. LEASE.** A document setting forth the conditions of a contract for letting lands or buildings for a life, a term of years, or at will, usually in consideration of an annual rent. The party who grants the lease is called the "lessor," and the party to whom the premises are leased, the "lessee." In a/cs. of leasehold property such an amount should be written off each

year, in respect of the diminishing value, that the entire value will be exhausted at the expiration of the lease. An easy method of calculating the price that should be paid in order to receive a return of capital by the time of the expiration of the lease, and a fixed rate of interest upon such capital is as follows :—Divide the proposed purchase money (say £720) by the number of the years to run before the lease expires (say 60), this may be taken to represent annual repayment of capital (say £12). Deducting this amount from the net annual rental (say £55) leaves a balance of £43, which is equal to nearly 6% on the purchase money. Leases are usually prepared in duplicate, the lessee receiving the original Lease, signed by the lessor, and the lessor receiving the copy, known as the **counterpart.**

**602.** A **LEGACY** is a gift of personal estate by will, and may be of three kinds :—(1) Specific (of a definite article), (2) General (a sum of money payable out of the general estate), and (3) Demonstrative (payable primarily out of a specific fund, or, on the latter's failure, out of the general estate). Government duty is payable upon all legacies. The duty is calculated according to a scale of duties imposed according to the nearness of the relationship between the testator and the beneficiary. If the estate is insufficient to pay in full the legacies bequeathed by the will, the legacies are subject to abatement, *i.e.*, they rank *pro rata* for a proportionately smaller sum.

**603.** A **LETTER OF CREDIT (L/C.)** is a communication addressed by bankers or merchants to their correspondent or agent, either at home or abroad, requesting him, upon the credit of the writers, to advance the bearer a specific or an unlimited sum of money, and debit the amount paid to their a/c. The chief differences between a L/C. and a B/E. are that the former is not an *order*, but a *request* of payment ; that a L/C. needs no acceptance ; is not negotiable ; and cannot be protested for non-payment.

**604. LIABILITIES** denote the whole amount of the debts owing by a person or company, and also any contingencies that might probably arise from financial obligations. Liabilities are the credit balances of the real and personal a/cs. in the Ledger.

**Contingent** liabilities are those dependent on an uncertain issue, of doubtful occurrence, which may or may not happen. For instance a bill receivable which you have negotiated creates a contingent liability, inasmuch as you *may* be called upon by the owner to pay the contents in the event of the bill being dishonoured by the acceptor. Again, should you become a surety or bond on behalf of a principal, by guaranteeing the repayment of a sum of money, or by indemnifying an employer in respect of any losses occasioned by an employee, you would in the event of the principal failing to fulfil his obligation, become liable for the amount specified. Bankruptcy is sometimes caused by such liabilities becoming immediate.

**605. LIEN.** A right in one man to retain that which is in his possession belonging to another, until certain demands of the person in possession are satisfied. There are *particular* and *general* liens.

**Particular** liens are those where persons claim to retain a thing for some charge or claim growing out of or connected with the identical thing; as where a dyer has a lien on goods delivered to him to dye, or where a banker has a lien upon securities pledged for the payment of a specific debt; **General** liens are those where things are retained in respect of dealings with a person, such as where a hotel-keeper retains the baggage of a guest until the payment of the bill; or where a banker retains securities in respect of the general balance of his customer's account; or where a solicitor withholds his client's title deeds until his charges are paid. A **Letter of Lien** is sometimes given by a debtor to a banker, as security for an advance upon goods in the hands of a third party. The letter should empower the banker to sell, in default of payment of the debt.

**606. LIQUIDATED DAMAGES** is the ascertained amount, expressed in a contract to be recoverable by an injured party, in case of non-performance thereof. On the other hand, the amount recoverable in the case of a **penalty** is not the sum named, but the damage actually incurred. The whole distinction between the two lies in the construction of the particular contract, and in construing the terms thereof the Court will not accept the phraseology of the parties as conclusive, but will enquire into the real nature of the transaction in order to see whether the sum fixed is to be treated as ascertained damages, or as a penalty to be held *in terrorem* over the defaulter. In the latter case, in spite of the stipulation, the Court will require actual proof of the loss.

**607. LIQUIDATION.** The winding-up or closing-up of a business or company by a person called a Liquidator, who collects all the assets and discharges all the liabilities. Such a firm or company is said to be "In Liquidation," the cause of which is generally insolvency. In a voluntary winding-up of a Joint Stock Company one or more Liquidators must be appointed at a General Meeting for the purpose of winding up the affairs. Immediately upon his appointment all the powers of the Directors cease, except so far as the Company in General Meeting, or the Liquidator, sanctions the continuance thereof. Within seven days after his appointment a Liquidator must send notices to all the Creditors convening a Meeting, to be held on a date not being less than fourteen nor more than twenty-one days after his appointment. He must also advertise the notice of the meeting in the London, Edinburgh, or Dublin Gazette, according to whether the Company was registered in England, Scotland, or Ireland, and once at least in two local newspapers. The Liquidator must apply the funds—First, in

paying the costs of the liquidation, including his own remuneration; Secondly, in paying the debts having priority in law; Thirdly, discharging the ordinary debts; and Fourthly, in distributing any balance among the contributories.

**608. LLOYDS** is the title given to a set of subscription rooms at the Royal Exchange used by underwriters for the transaction of their business. It is the centre point in the metropolis for all sea insurance business; and every species of intelligence relating to shipping is transmitted there from its agents in all parts of the Globe, thus affording considerable advantages to the maritime interests of the country. **Lloyds' Register,** published annually to merchants and others, furnishes valuable and reliable information respecting ships and their classification. It contains particulars of the tonnage, age, build, nationality, character, and condition, &c., of every ship where owners comply with Lloyds' rules. The register contains particulars of all British vessels of 100 tons burden and upwards. The mark A1. denotes vessels of the highest class, while that marked in red or 90 A1. denotes an inferior vessel; and the marks Æ1., or 80 A1. vessels of the lowest class.

**609. LLOYDS' BONDS.** A railway company may not borrow in excess of the amount of the borrowing powers conferred upon it by Parliament; it may, however, issue to contractors for work done a form of bond or obligation which is very much the same thing as a debenture, the contractors being able to dispose of these bonds as if they were debentures. Bonds of this nature are termed *Lloyds' Bonds*, from the name of the counsel who invented them.

**610.** A **MANIFEST** is a form filled up by the Captain of a ship, and lodged at the Custom House on leaving port, containing a description of his vessel, full particulars of her cargo and crew, and the ports of destination to which she is bound. A **Captain's Protest** is a declaration made by the Captain and crew, upon oath, as to the particular circumstances under which any injury to a ship, or damage to her cargo, has arisen. The protest is generally prepared by and declared before a Notary Public. A **Supercargo** is a person in a vessel who has charge of its cargo and trading transactions. He superintends the sale of the cargo and procures other goods or freight for the return voyage.

**611. MINUTE BOOK.** Companies are required to keep Minute Books in which records of all proceedings of General Meetings and of the Directors' or Managers' Meetings must be entered. If purporting to be signed by the Chairman of the Meeting at which the proceedings were held or by the Chairman of the next Meeting, Minutes will be evidence of the proceedings, and until the contrary is proved every General Meeting or Meeting of Directors in respect of the proceedings whereof Minutes have been so made is deemed to have been duly held and convened, and all proceedings thereat

**to have been duly held. It is advisable to keep two books, so** that one may contain a record of the proceedings at Directors' Meetings and the other a record of the proceedings at Shareholders' Meetings. Members are usually allowed access to the General Minute Book, but they are not entitled to see the Directors' Minutes. The Secretary should also have a rough Minute Book, into which the notes of the Meetings he attends may be entered. Liquidators of Companies being wound up by the Court must keep Minutes of the proceedings of the various Meetings held, and any Creditor or Contributory may (subject to the control of the Court) either by himself or his agent inspect such books.

612. **MISDEMEANOUR.** A species of crime or offence comprehending all breaches of public law less than felony, as libels, conspiracies, assaults, &c., which are not so atrocious as murder, burglary, arson, &c., which are felonies.

613. **MONEY. Value** may be defined as the general purchasing power of a commodity, while *Price* is such value expressed in relation to money. The **value** of a thing is the amount of other commodities for which that thing can be exchanged; or the worth **of** that thing measured in the terms of some other thing. **Price** is the consideration which is given under a contract in exchange for the supply of commodities or services. Thus, a **Sale** is defined to be the transfer of the property in a thing for a price. Therefore when goods are exchanged for goods there is no price, and the contract is one of **barter** and *not* of sale. **Money** is a measure of value and a medium of exchange; or that substance, of whatever nature it may be, which is, by common consent, and for the convenience of the community, employed to represent goods in effecting their sale. In civilized countries gold, silver, and bronze coins of a certain weight and fineness are used as money, on account of the scarcity of these metals, their portability, durability, uniformity and easy divisibility. **Currency** is a term applied to the legal medium of exchange of a nation, such as the current coins and notes authorised as legal tender. The **circulating medium** or currency may be of two kinds; (1) Metallic or Specie. (2) Paper. Metallic currency consists of coins, which are pieces of metal of certain weights and fineness bearing a legal stamp. **Bullion** is gold and silver of varying fineness or purity in the form of bars, dust, groups, and coins. Coined money is of two sorts, which are called respectively standard money and **token money,** the latter consisting of coins which are not intrinsically worth the amount named upon them; *e.g.*, the silver and bronze coins. **Standard money** is that in which the fine metal used is the standard metal of the country and is generally known as the **standard of value,** which has been defined as that coin or basis upon which the currency of any country is measured and regulated. England is a "gold standard" country; Mexico and China are "silver standard" countries; while France has nominally a double or

**bi-metallic standard, but practically she has a gold standard.** only gold being coined. **Sterling** is the name given to standard English money or coin. **Paper-currency** or circulation consists of Bank Notes and similar documents which not only represent money, but which are made legal tender by the Government as being worth in coin the amount named upon them. The efficiency of paper money as a substitute for coins depends on whether the owner can obtain the equivalent in coin whenever he wishes. When paper money can be exchanged for coin to its face value on demand at the Government Bank it is called *Convertible*; for instance, our Bank of England notes are convertible, as they are exchangeable at the Bank into sovereigns on demand to the full amount of their face value. "*Inconvertible*" paper currency is that which cannot be exchanged for coins on demand, but must be accepted as representing its face value. Such a currency is only legal tender for any amount in transactions between the inhabitants of the particular country adopting it. In questions of exchange with a foreign country inconvertible paper money is always at a discount, that is, it circulates at a varying rate below the value of the coin which it professes to represent. Such a discount if known as **agio** or **premium** which may be defined as the difference of value existing between real and nominal money as shown by the Continental rates of exchange; or the difference of value between specie and paper money in those countries where notes are not exchangeable for gold. Thus it is said, for instance, that *gold is at a premium of* 5% *on paper*, or that *there is an agio of* 5% *on gold*, which means that 105 units in paper money are given for 100 units in gold. **Legal Tender** means the current coin or medium of payment that may be lawfully offered in payment of a debt. They are:—Gold of the full weight to any amount, Silver up to 40/-, Bronze up to 1/-, and Bank of England Notes up to any amount in England and Wales, except at and by the Bank of England and its branches, but no one can be compelled to give change for such notes except the Bank itself. A tender must be absolute and unconditional, and the money must be actually produced at the time of tender. The word **Bi-Metallism** is used to describe the employment of two metals, to form at the same time, in combination with each other, the standard of value. A bimetallic system of currency to be completely effective must, in the view of those who advocate it, include two essentials; (*a*) An open mint ready to coin any quantity of either gold or silver, which may be brought to it. (*b*) The right on the part of a debtor to discharge his liabilities, at his option, in either of the two metals, at a ratio fixed by law. The term **Mono-Metallism** is applied to designate a monetary system in which the standard of value consists of one metal, whether silver or gold. **Moneys of Account** are the denominations or divisions of money in which accounts are kept. They may or may not correspond with coins in circulation, *e.g.*, the moneys of a/c. of England are £ s. d., while in the case of France they are francs

and cents. The **Latin Union** is the monetary union organised between France, Belgium, Greece, Italy, and Switzerland, in all of which countries the amount in francs, &c., are converted as 25=£1.

**614.** The **MONEY MARKET** is not a particular place or building where money is bought or sold, but is merely a term embracing the Bank of England, London bankers and bill brokers, the Stock Exchange, and dealers in money and credit who have either money to lend or who want to borrow money. The bankers collect money from all over the country, and such surplus as is not required for current purposes is lent on the market for various periods, and all the operations between the bankers, brokers, and discount houses constitute the business of the money market. If there is a large supply of money and the demand for loans is small the rates charged will be low, but if, on the other hand, the supply is small and the demand large, the rates will be high. The money market is often referred to as "Lombard Street." Cheap money is that which can be borrowed at a low rate of interest. Money is called "dear" when, owing to its scarcity, it can be borrowed only at a high rate.

**615.** A **MORATORIUM** is an extension of time which is sometimes granted by the Government of a country for the payment of debts. The circumstances under which a moratorium is allowed are always of a very exceptional nature. In consequence of the great floods in Paris in January, 1910, many traders suffered severely, and the French Government suspended the law regarding the protest of commercial bills, and enacted that bills falling due between January 26th and February 15th were not to be protested for non-payment until after a delay of twenty days. The respite was granted to the various departments which were affected by the floods. During the Franco-German war the French Government extended the date of payment of bills in Paris for three months. During the great European War in 1914, the British Government proclaimed a general Moratorium on the 2nd August, which was varied from time to time, and ended on 4th November.

**616.** A **NAKED DEBENTURE** is one that is a mere acknowledgment of a debt and which is not secured by a mortgage or charge upon the company's property in any way.

**617.** A **NEGOTIABLE** document or instrument of credit is one which, in its transfer from one person to another, conveys to and vests in the holder a legal right to the money or property which the document is issued for, or which it represents. Negotiability does not attach itself to every instrument, but only to those which have obtained it either by mercantile custom or statute: B/E., P/N., Cheques, Exchequer Bills, East Indian Bonds, Circular Notes, Dividend Warrants, and certain Scrip and Bonds are negotiable. The term "Not Negotiable" has

no statutory signification whatever on any document except as part of the crossing of a cheque.

**618. PAR.** Equal value. Stocks and shares are said to be **at par** when their respective **market** and nominal or **face values** are the same. When the price of stocks or shares is *higher* than the face value they are said to be **above par** (or at a premium), and when the price quoted is *lower* than the face value they are said to be **below par** (or at a discount). A nominal share of £1 fully paid, if quoted at ¼ premium would be 25s. per share ; or a nominal share of £1, with 10/- paid up quoted at a ¼ premium, would be 15s., £100 nominal stock, if quoted at 101, would be at a premium of 1.

**619. PAWN** or **PLEDGE.** The transfer of negotiable instruments or a chattel (movable property) by a debtor, the pledgor, to his creditor, the pledgee, to secure the repayment of a debt. The pledgee has the right of selling the property pledged if the pledgor fails to fulfil his obligations at the appointed time. A pledge is distinguished from a lien which a banker has upon any negotiable instruments that may be in his hands as banker, as the lien gives the banker merely a right to detain the documents until the customer's debt is paid.

**620. PATENT** is the name for a grant by the Government of a country of a privilege enabling the patentee or his licensees to make, use, exercise and vend the invention, and to restrain any unauthorised person from using or imitating it. The duration of a patent when granted is 16 years, but every patent ceases on failure of the patentee to make the prescribed payments or annual instalments, unless he can show that the default arose through an accident or mistake. Depreciation should be charged periodically, having due regard to the date of the expiration of the Patent. Suppose an engineer purchases a Patent for £1400, and anticipates that full benefits will be enjoyed during the whole 16 years, he can spread the depreciation over that period, by writing off, say, £100 per year, thus leaving the debit balance of the Patent A/c. at the end of the first year at £1500. A separate account must be kept in connection with the cost of production and sales, so as to show the Gross Profit on the Patent. The following are simple illustrations of a Patent A/c. and the Trading A/c. for one year :—

**Dr.** **Patent A/c.** **Cr.**

| 1915. | | £ | 1915. | | £ |
|---|---|---|---|---|---|
| Jan. 1 | To Cost of Patent .. | 1600 | Dec. 31 | By Depreciation.... | 100 |
| | | | | ,, *Balance .....c/d* | 1500 |
| | | £ 1600 | | | £ 1600 |
| Feb. 1 | To Balance.....b/d | 1500 | | | |

**Dr.** **Trading A/c. of Patent for the year 1915.** **Cr.**

| | £ | | £ |
|---|---|---|---|
| To Cost of Production .... | 1000 | By Sales ..... | 1600 |
| ,, Depreciation ..... | 100 | | |
| ,, GROSS PROFIT .... | 500 | | |
| | £1600 | | £1600 |

**621. PERCENTAGE** is a sum or number signifying a ratio to "one hundred." It is frequently convenient for purposes of comparison to reduce to a common basis the various items contained in a given financial or accounting statement, and the basis taken is usually "one hundred." In the case of a Trading and Profit and Loss A/c., it is customary, in reducing the accounts to a percentage form for the purposes of comparison, to take the amount of the sales or turnover as representing "one hundred," and to work out the relation to the sales of all the other items contained in the statement upon this basis. Every item thus becomes resolved into its proportionate expression "per hundred pounds of sales," and it is frequently found that a statement expressed in this way presents for purposes of comparison of cost a clearer view of the results attained than a Profit and Loss A/c. containing the actual figures. In some cases it may be preferable to take the cost of the goods as the standard of comparison. In colliery accounts the cost per ton of coal won is the basis usually taken.

**622. POST-DATING** means dating *after* the true time; while *Ante-dating* refers to dating *before* the true time.

**623. POWER** of **ATTORNEY.** A deed granted by one person to another to enable him to act on his behalf. In certain Stock Exchange transactions, special powers are necessary, as follows:—In the case of all stocks inscribed on the books of the Bank of England, the London & Westminster, and other banks, or with the Crown agents for the Colonies, sellers are required to appear in person to transfer their holdings, accompanied by a stockbroker, who can identify them. In cases where it is difficult or costly for sellers to attend, they can apply for a *Power of Attorney*. This deed is drawn up by the transfer agents, and must be signed by the stockbroker in the presence of two witnesses. It is usual to appoint a stockbroker as attorney; other persons acting must be identified by a broker.

**624.** A **PREFERENTIAL CLAIM** is one that is legally entitled to be satisfied in full (1) as a special preference, in the case of solvency, where the claim is to be paid out of the profits of a business, before a general division of such profits, or (2) as a general preference, in the case of insolvency, where a claim

is to be paid out of the assets, before the participation of the claims of other creditors.

**625. PREMIUM.** (1) An annual payment for insurance against loss by fire, &c., or to assure a certain amount of money being paid on a person attaining a given age, or at death. (2) The excess in quotation over the nominal paid-up amount of any security. (3) A payment to an employer on a pupil becoming articled or apprenticed.

**626. A PRICE CURRENT (P.C.)** is a list showing the market price of commodities. These lists are published in the daily newspapers and also in the various trade journals. Many merchants issue a Price Current to their customers either bi-weekly, weekly, fortnightly, or monthly, showing the articles dealt in, and the current market price of each. Some firms keep blank forms of prices current, the names of the staple articles of their place being printed, the columns for prices being left blank. A **Price List** merely shows the *definite* price of articles offered for sale. These lists are chiefly issued by retail drapers, grocers, &c., in the form of newspaper advertisements and handbills.

**627. PRIMAGE.** This was originally a gratuity or allowance given by the shippers to the captain of a ship for his care and trouble in loading and taking charge of the goods while on board. It is now an additional percentage to the freight for the use of cable and ropes in loading and unloading cargo. The rate varies according to the customs of the various ports.

**628. PRINCIPAL.** A responsible person for whom an agent buys, sells, or transacts other business; also a partner or head of a business house. The word "principal" is also applied to money lent out at interest.

**629. PROFITS PRIOR TO INCORPORATION.** If a company, incorporated at a given date, purchases a business as a going concern as from a date prior to the date of its incorporation, the proportion of such profits made prior to the date of incorporation are not profits available for distribution as dividend to the shareholders. A company cannot make profits prior to the date at which it comes into being, and any such accrued profits therefore which have been bought by it should be written off the purchase price of the goodwill, or placed to a capital reserve account, or be otherwise set aside in such a manner that they do not subsequently become divided among the members of the company.

**630. PROMOTER.** A man who makes it his business to prepare and launch limited liability companies on the market. He is generally a *shark*—one, *i.e.*, who lays himself out to get

as much for his own pocket as he can out of the money subscribed by the public. Often he buys up businesses at a low price and sells them at a high one; often, also, he concocts schemes *ab initio* for the sole purpose of swindling the investing classes; frequently he shelters himself behind other names, so that he may not be saddled with either liability or responsibility when things go wrong. Company-promoting as a profession is thus one of the most degraded a human being could adopt, although the promoter does not always, or often, pocket all the money laid upon the *capital* of a new company for *promotion* purposes. He has to subsidise the Press—the more heavily the more his career or his company is shady—to pay extensively for advertisements, to divide up with his *pals*, to find qualifications for *dummy* or *guinea-pig* directors; and as he nearly always carries his game to a point beyond the patience or receptive capacity of the public, he often ends by becoming bankrupt.

631. **PROPERTY** signifies the exclusive right of possessing, enjoying and disposing of a thing. The person to whom such right belongs is termed the "*owner*." A **Reversion** is that portion left of an estate after a grant of a particular portion of it (short of the whole estate) has been made by the owner to another person.

632. **PROXY.** A person appointed, usually by written authority, to vote at any meeting for another person who would have been entitled to vote personally.

633. **QUARTER DAYS.** *England*: Lady Day, 25 March; Midsummer, 24 June; Michaelmas, 29 Sept.; Christmas, 25 Dec. *Scotland*: Candlemas, 2 Feb.; "Whitsunday," 15 May; Lammas, 1 August; Martinmas, 11 November.

634. **QUID PRO QUO** (what for what). An equivalent. One thing for another. The mutual consideration and performance of both parties to a contract.

635. **QUORUM.** The minimum number of persons necessarily present in order that business may be proceeded with, at any Meeting for the dispatch of business. Articles of Association usually determine the quorum of Members necessary for the transaction of business at Meetings of Directors or of the Company. Table A prescribes three Members *personally* present as the quorum for a General Meeting, and provides that, unless the Directors fix some other number, the quorum for a Meeting of Directors is also to be three in cases where there are more than three Directors. If there are only three or less than three, and no quorum has been fixed, all the Directors must be present before any business can be transacted. The presence of a quorum at a Meeting is essential. If the requisite

number is not present the Meeting must be adjourned or dissolved, as may be specified by the Articles of Association. Table A provides for the dissolution if the Meeting was convened upon the requisition of Members and a quorum is not present within half-an-hour of the time appointed for the Meeting. If convened by the Directors, the Meeting must stand adjourned to the same day in the next week, and if a quorum is not present at the adjourned Meeting within half-an-hour from the time appointed the Members present form a quorum. If a quorum is not present at the commencement of the Meeting, all the business transacted is invalid.

**636. REAL ESTATE** consists of lands (including the buildings thereon), whether of freehold or copyhold tenure; but not leaseholds, however long the term. For revenue purposes, however, leaseholds are liable (if at all) to succession duty, not legacy duty. **Personal Estate** or Property consists of money, goods, leases for years (however long), furniture and other chattels as distinct from real property. **Chose** means a thing. *Choses* are of two kinds—*choses in action* and *choses in possession*. A **Chose in action** is a thing of which a man has not the present enjoyment, but merely a right to recover it (if withheld) by action. Thus money at a bank, or money due on a bond, is a *chose in action*. This may now be assigned by writing, signed by the assignor, absolute in terms and notice in writing being given to the debtor. A **chose in possession** is a thing of which the owner is in the actual enjoyment.

**637. REBATE.** Generally an abatement or allowance in price. Strictly, discount returned by a banker on a bill taken up before maturity, or by a banker or bill broker when discounted bills are taken back again, previous to their arriving at maturity, by the parties who placed them under discount. An **Abatement** is a deduction from a quoted price or value.

**638. RECEIPT (Rect.)** A written acknowledgment of something having been received. A receipt for money when the amount is for £2 and upwards, requires a penny stamp, which, if adhesive, must be cancelled by being written across, the cost of the stamp being borne by the receiver. A receipt should, at least, state the date, the name of the payer, the amount, what the payment is for, and the signature of the receiver, as below. A receipt written either on the front or the back of a stamped cheque requires a receipt stamp; either one penny or two half-penny stamps. A **Voucher** is any book, document, or writing in proof of the payment or receipt of money; or which in any way serves to attest the truth or correctness of accounts, or any other monetary transactions. As far as possible Petty Cash payments should be initialled in the P.C. Book by the person receiving the cash; and payments by the cashier to his principals should be initialled in the C.B.

5 Dock Street, Leeds, 28th December, 1920.
GRAY'S ESTATE.

**Received** from Mr. George Terry the sum of Twenty Eight Pounds Ten Shillings, being one half-year's rent due to the Trustees of John Gray, deceased, at Christmas last.

Cash.... £27 16 -
Tax .... - 14 -
£28 10 -

HENRY HORN
For Self and Co-Trustees.

**Receipt a Statement** thus :—

Received payment by cheque, £95 8 10.

5th July, 1920.
CHARLES MEE & Co., LTD.
JOHN DAY, Secretary.

**639. A RECONCILIATION STATEMENT** is one that is sometimes made out for the purpose of adjusting or testing the accuracy of certain a/cs., such as a Rental, with the Rental of the previous year or the contents of the Cash Box with the Balance of the Cash Book (see par. 87); or the Bank Column of a Cash Book with the Pass Book (see par. 93).

**640. REGISTERED OFFICE.** Every Company is required to have a Registered Office, to which all communications and notices may be addressed. Notice of the situation of the office should be filed at the time of the incorporation of the Company, and notice has also to be given upon any change of address taking place.

**641. REMITTANCE.** A sum of money sent, transmitted or remitted from one person to another, whether it be by bullion, coin, note, cheque, B/E., M/O., P/O., or stamps.

**642. RENT** is a profit issuing out of lands and tenements, either as compensation for possession, or merely as acknowledgment of tenure to the lord. In other words, rent is compensation or payment, made by the tenant to the owner of the land or premises demised. When there is no written contract the rent is payable on the demised premises, but in the case of a covenant on the part of the tenant to pay rent, it is his duty to seek out the person to whom it is payable. The **Law** presumes that a tenancy is an **annual one**, unless evidence to the contrary is forthcoming; and a **Notice to Quit** must be so given as to

terminate the tenancy upon the anniversary of its commencement.

**Cottages** and small houses, &c., are frequently let upon weekly, monthly, or quarterly tenancy, and where no written contract exists, the rent-book or form of receipt given, will be evidence of the character of the holding. By the term *monthly tenancy* **a lunar,** and not a calendar month is implied. Rent is due in the morning of the day appointed for payment, but it is not in arrear until midnight. It is recoverable by distress upon the premises and during the continuance of the tenancy.

In the case of **agricultural lands,** recovery by distress may not take place in respect of "rent, which became due more than one year before the making of such distress," though a custom by which the collection of rent is deferred will be recognised, and distraint may be legally made for a further sum corresponding with the deferred quarter or half year, as the case may be.

In the case of **bankruptcy,** the landlord's preferential claim for rent is limited to one for *six months only*, prior to the adjudication. Rent falling due after the adjudication of bankruptcy must be paid in full—until the trustee shall disclaim the tenancy.

This limitation of the landlord's power of distraint does not prevent his due **recovery** of the arrears of rent by action in the High or County **Court.** In tenancies, other than those to which the Agricultural Holdings Acts apply, arrears of rent may be recovered by distress at any time within **six years** after the same shall have become due.

There are several kinds of rents, viz. :—

(1) **Rack-Rent** is a rent of the full annual value of the tenement, or near it. In no way does the term imply an exacting or excessive rental, but merely the full market value.

(2) A **Pepper Corn Rent** is merely nominal and not intended to be paid. It is frequently found in the case of building leases, where, during the erection of the premises, in the first year or years of the term, no rent is to be charged.

(3) A **Fee Farm Rent** is a rent-charge issuing out of an estate in fee, of at least one-fourth of the value of the lands at the time of its reservation. The amount of the charge is a fixed one, and is perpetual. It is recoverable by distress and taxes may be deducted.

(4) A **Rent-Charge** may be imposed upon land by deed or will —it forms a *fixed charge* upon the property, and is of the nature of rent, in that in default of payment it is recoverable by distress at any time within 12 years of its becoming due. The owner of the Rent-charge, however, possesses no interest in the reversion of the land—the Rent-charge is his permanently, but nothing more than that, however valuable the property may hereafter become.

(5) A **Ground Rent** is created by the lease of land to a lessee, who contracts to erect houses or other buildings. The agreed term may be 60, 99, or even 999 years, and the rent of the

ground is a fixed sum, payable to the superior landlord, *the lessor*, in exactly the same way as an ordinary rack rental is paid. *A freehold ground rent* is one in which the reversion belongs to the freeholder, and a *leasehold ground rent* is one in which the immediately superior landlord is himself a lease holder. Income Tax at the current rate should be deducted in paying ground rent.

(6) A **Chief Rent** is created in much the same way as a ground rent. The chief point of difference between the two lies, however, in the fact that a Chief Rent is perpetual, and the creator of it reserves no reversion. It is therefore of the nature of a Rent-Charge.

(7) A **Quit** or **Free Rent** is an annual payment made to a lord in respect of copyhold or freehold tenements in his manor. As a rule it is merely a nominal amount, owing to the great difference in the present value in money compared with that of the time when the rent was created. The name signifies that the tenant thereby goes quit and free of all other services. The Quit Rent payable by a freeholder of a manor is often termed *Chief Rent*; and both come under the designation of *Rents of Assize*. They are recoverable by distress, but become *statute barred* after a lapse of 12 years.

(8) Rents payable in connection with **mining operations** are dealt with on page 543.

**643. RUPEE.** The unit value and the standard silver coin of British India, weighing 180 grains, eleven-twelfths fine. The exchange value of the rupee is about 1s. 4d., but its intrinsic value, in consequence of the fall in the price of silver, is much less. The symbol "Rx." denotes 10 rupees. Large sums of rupees are expressed in lacs. (100000) and crores (100 lacs). For any sum above 100000 rupees (1 lac.) a different mode of decimal notation is adopted: thus, 135000 rupees would be punctuated, 1,35,000 which would be read 1 lac or lakh, 35,000 rupees; while 9, 15, 16,500 .. 9 .. 8 would be read as 9 crores, 15 lacs, 16,500 rupees, 9 annas, and 8 pies.

| c. | lacs. | Rs. | a. | p. |
|---|---|---|---|---|

**644.** The **SALE OF GOODS ACT,** 1893, section 4, enacts that no contract for the sale of any goods for the price of £10 and upwards shall be enforceable at law, except the buyer shall accept part of the goods so sold, and actually receives same, or give something in earnest to bind the bargain, or in part payment, or that some note or memorandum in writing of the said bargain be made and signed by the party to be charged or his agent, in that behalf. It is therefore essential that orders should be obtained in writing. **Earnest** is the sum paid by the buyer of goods in order to bind the seller to the terms of the agreement.

**645. SALVAGE.** An allowance or compensation made to those by whose exertions ships or goods have been saved from the dangers of the sea, fire, pirates, or enemies. The term is also applied to the goods and other property saved. A **Derelict** is a ship that has been abandoned at sea.

**646. SCRIP.** A contraction of the word subscription, applied to the receipt or certificate given for shares or instalments thereof in some public company, or an a/c. of a Government loan, pending the delivery of a share certificate. These documents are exchanged for the proper share certificates, in the case of fully paid up shares, as soon as the company is floated, and other cases on completion of the payment of all the calls.

**647. SEAL.** Every Limited Company is required to possess a Common Seal having its name *engraven in legible characters* thereon. A rubber stamp should not be used as a Seal, as the name is not *engraven* thereon. In order that the Seal may not be used without authority, and may also be free from dust and observation, it is usual and advisable to keep it in a strong box fitted with two locks, the keys of which should be kept by two Directors. Any Director, Manager, or Officer who uses or authorises the use of any Seal whereon the name of the Company is not so engraven renders himself liable to a fine not exceeding £50. A Company transacting business in foreign countries may, if authorised by its Articles, have an Official Seal for use out of the United Kingdom. Such a Seal must be a facsimile of the Common Seal, with the addition on its face of the name of every territory, district, or place where it is to be used. Any person appointed for the purpose in any place not situate in the United Kingdom, and having the written authority of the Company under its Common Seal, may affix the Official Seal to any deed or other document to which the Company is a party in that place. The date and place of affixing the Seal must be certified in writing on the instrument under the hand of the person using the Seal. A deed or document to which an Official Seal is duly affixed binds the Company as if it were under the Common Seal of the Company.

**648. SECRETARY.** The officer to whom the general management of the affairs of a public department or company is entrusted. The Secretary is one of the principal Officers of a Company, and is wholly or partly responsible for the accuracy of documents filed with the Registrar. He is personally liable if he omits the word *Limited* from a Bill of Exchange, Promissory Note, or order for goods unless the amount is paid by the Company. The Secretary is an agent of the Company, and representations made by him may bind the Company; but if the representations are outside the scope of the Secretary's duty the Company is not responsible. He is, of course, liable if he accepts any secret commission or bribe in contravention of the Prevention of Corruption Act, 1906. He should make himself acquainted with the provisions of the Companies Act—particularly those relating to the registration of documents and the keeping and entering up of Registers, Minute Books, &c. He should exercise care in scrutinising transfers, proxies, and other forms, and familiarise himself with the various details

set out in this work relating to the inspection of Registers. The duty of rendering returns under the Income Tax Acts devolves upon him. When required by the Assessor he must deliver a Return containing the names and addresses of persons employed by the Company (including Directors and other Officers) whose remuneration exceeds £160 per annum, with particulars of their salaries and wages, "and by any other fees, bonuses, allowances, or emoluments" paid them, and he must also render accounts as required.

**649. SECURITIES** are the written or printed documents which secure to a holder his right to any property. They may include certificates of consols, or any other Government or municipal stock; exchequer bills, foreign Government bonds or scrip; railway shares or bonds; and debentures or share certificates of any other companies. As against advances the securities held may also include title deeds of property, mortgages, dock warrants, bills of lading, or any other document of title, and bills of exchange.

**650. STATEMENT.** An a/c. rendered at certain times usually monthly or quarterly, giving dates and amounts only of each delivery of goods since last settlement, together with any charges; and after deductions for returns, payments on a/c., allowances, &c., showing amounts due at date of statement. It is really a demand for payment.

625 Cheapside,

LONDON, 30*th June*, 1920.

*Messrs. Owen & Dew, Leeds.*

**Dr. to Charles Mee & Co., Ltd.**

| 1920 | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| April 1 | To Balance brought forward | | | | 69 | 7 | 6 |
| ,, 4 | ,, Goods | 17 | 16 | 3 | | | |
| ,, 7 | ,, do. | 36 | 4 | 9 | | | |
| ,, 19 | ,, do. | 42 | 8 | 4 | | | |
| ,, 30 | ,, do. | 5 | 19 | 6 | | | |
| May 7 | ,, do. | 19 | 7 | 2 | | | |
| ,, 15 | ,, do. | 7 | 4 | 5 | | | |
| ,, 28 | ,, do. | 26 | 19 | 11 | | | |
| June 9 | ,, do. | 13 | 4 | 2 | | | |
| ,, 19 | ,, do. | 2 | 9 | 10 | | | |
| ,, 25 | ,, do. | 16 | 18 | 9 | | | |
| ,, 28 | ,, do. | 46 | 9 | 2 | | | |
| ,, 30 | ,, do. | 17 | 16 | 9 | | | |
| ,, ,, | ,, Undercasting, 25th June | 1 | - | - | | | |
| | | | | | 253 | 19 | - |
| | | | | | 323 | 6 | 6 |
| May 22 | By Cash | 171 | 16 | 4 | | | |
| June 2 | ,, do. | 53 | 11 | 6 | | | |
| ,, 2 | ,, Returns | 2 | 9 | 10 | | | |
| | | | | | 227 | 17 | 8 |
| | | | | £ | 95 | 8 | 10 |

**651. SEQUESTRATION.** A Scotch legal process, closely resembling English Bankruptcy proceedings, by which a law officer investigates an insolvent case, collects all the assets and distributes the amount realised among the creditors.

**652. SET-OFF** or **Counter Claim.** A cross claim. The right of one party who is bound under a contract towards another to set off a corresponding liability upon the side of that other party as counterbalancing the want of performance of the contract sued upon.

**653. STAMP DUTY.** A tax imposed for revenue purposes, on bills of exchange, bank notes, cheques, licenses, deeds, and documents of every description (except wills and I.O.U.'s) receipts for money over £2, playing cards, &c. The term **ad valorem**, meaning according to the value and not to the number, weight or measure, is used in commerce principally with reference to the *ad valorem* custom and stamp duties, which are levied by the Customs and Inland Revenue Departments of the Government on goods and documents at certain rates *per cent.* on their value.

**654. STATUTES OF LIMITATIONS.** The enactments fixing the periods within which rights must be established and debts recovered. The periods of limitations vary from 14 days to 60 years from the cause of action according to the subject of litigation. A common debt is *Statute barred* after a lapse of six years, unless a promise to pay or an unqualified acknowledgment in writing has been made by the debtor, in which case the debt is revived. The following are the periods fixed by the principal Statutes of Limitation.

| PROCEEDING. | PERIOD. |
|---|---|
| Award, action of debt upon, where the submission was not by specialty | 6 years. |
| Award, etc., if submission be specialty | 20 years. |
| Bill of Exchange, or Promissory Note, payable at a certain period after date | Within 6 years after it falls due. |
| Copyright, action for infringement of | 3 years after infringement. |
| Crown, the, suits by, relating to land | 60 years next before suit or claim. |
| Debt (if not on specialty) | 6 years. |
| Debt on Specialty | 20 years. |
| Distress for rent-charge | 12 years. |
| Distress for other rents | 6 years. |
| Land, right of entry for the recovery of | 12 years. |
| Legacies | 20 years. |
| Libels | 6 years. |
| Mistake, equitable relief from | 6 years after its discovery. |
| Mortgage, money secured by, recovery of | 12 years. |
| Real property, action to recover | 12 years after right accrued. |
| Rent, by lease by deed | 20 years. |
| Rent, ordinary | 6 years. |
| Replevin | 6 years. |
| Trespass | 6 years. |

**655. STOCKS.** A term applied to the sums of money invested by private individuals in the national debts of any country, properly called the "funds"; also the separate credits warranted by the governments, municipal corporations, trading companies, or other corporate bodies, paying a fixed annual rate of interest for the loan. **Guaranteed** stocks are those upon which the interest is guaranteed by a Government or company. For instance, the Government of India has guaranteed a fixed percentage on the stocks of many of the Indian railroads. **Inscribed** stock is that for which no actual certificates are granted to the holders, but their names and the amount of stock they hold are entered or inscribed in a Register kept for the purpose, either at the Bank of England, the office of the Crown Agents for the Colonies, or some other Bank where the stock was issued. Such stock can only be transferred by the holder (or his representative by Power of Attorney) signing the Register that he has assigned his right to some other person, and, consequently, they are considered one of the safest forms of security against fraud it is possible to deal in.

**656. STOPPAGE IN TRANSITU.** The stoppage of goods in course of their transit from one place to another. An unpaid vendor or consignor of goods has power to stop them in transit and prevent their delivery, if, since they have left his establishment, the vendee or consignee has become insolvent.

**657. SUBROGATION.** If a banker lends money to a company, which has no power to borrow, he cannot recover from the company, but the banker has the right of subrogation; that is, he is entitled to occupy the position of such creditors of the company as were paid out of the money he advanced to the company and to recover from the company the debts of the creditors so paid. Where a guarantor repays the full debt due to the banker on the account for which he is surety, he is subrogated to the rights of the banker—that is, he is thereby entitled to the banker's right to sue the debtor, or to claim upon his estate, and to the benefit of any securities which the banker held.

**658. SURETY** or **GUARANTOR.** A bondsman; one who undertakes to answer for the liability or performance of a duty for which another (called the principal debtor) is responsible in the event of the default of the latter. (See par. 604.)

**659. TALE QUALE.** (T/q.) An expression used in contracts when grain and other produce is sold "to arrive" or "off the coast" by a sample drawn at the port which the ship has touched at. It means that the cargo is held to be the same as the sample submitted, and that the buyer takes the risk of any damage the goods may afterwards sustain.

**660. TARE** is the weight of a case, bag, box, sack, cask, chest, can, glass, wrapper, or other article wherein goods are packed; hence the word is also used as meaning the allowance, deduction, or abatement made in respect thereof from the gross

weight of the package. Tare is calculated in five different ways, viz. :—(1) by **Real** tare, which is found by actually ascertaining the weight of the boxes, sacks, vessels, &c., wherein goods are packed, and deducting it from the gross weight of the parcel; (2) by Average tare, where the packages are numerous and of a similar size, when only a few are weighed so as to form an average for the whole; (3) by **Customary** tare, which is an established allowance for the weight of packages on the gross weight of certain goods, fixed by the custom of each particular trade; (4) by **Estimated** tare, which means that the weight of the packages are computed and an estimated allowance agreed upon at the time of sale; (5) by **Super** tare, by granting an additional allowance when packages exceed a certain weight. **Tret** is an old customary allowance of 4lb. on every 104 lbs. on certain articles of merchandise as a compensation to the buyer for wear, damage, or deterioration in transit, or for the dust or sand mixed with any commodity. **Draft** or **Waste** is an allowance or deduction often made on the gross weight of goods in consideration of their being damp, or mixed with dust, rubbish, or other extraneous substance.

661. **TERMS** as to **Price** and **Payment.** "**Loco**" merely means that the price quoted is the price of the goods sold at the place where they lie, without including any charges whatever for transit or removal. "**F.A.S.**"—free alongside ship—denotes the place of delivery, and that the seller pays all charges upon the goods up to their reaching the ship's side, when the buyer must attend to their being put on board, and pay the dues and charges for slinging, &c. "**F.O.B.**"—Free on board—indicates that the price quoted covers the cost of the goods, carriage to port, and shipping charges: *i.e.*, the seller puts the goods on board free of all expense to the buyer, who pays the freight. "**C. & F.**"—cost and freight—means that the price is to cover the cost of the goods, shipping charges and freight, in fact all charges to the destination of the vessel except insurance. "**C.I.F.**"—cost, insurance and freight—means the last paragraph, plus insurance. "**Franco,**" "**Rendu,**" or "**Free,**" means c.i.f. *plus* foreign import duty and carriage to the door of the buyers, *i.e.*, the price includes every possible charge. "**C.O.D.**"—cash on delivery—denotes that the buyer must pay for the goods at the time of delivery. "**Prompt Cash**"—payment within two or three days of delivery. "**Cash**" or "**Net Cash**"—payment within a week or ten days. "**2½% for Cash**"—denotes that this discount will be allowed if payment be made within about a week of delivery. "**5% within a month**"—this allowance will be made subject to the payment within one month from date of delivery. "**Prompt Cash less 4 mos.**" means payment within a day or two *less* 4 months interest at 5% per ann., *e.g.*, on £100 the discount would be £1 13s. 4d. "**3 mos. net**" denotes 3 months credit and no discount. "**Cash against documents**" indicates payment on delivery of B/L. and policy. "**Documents against acceptance**" denotes that the

shipping documents must *not* be handed over to the buyer until he has *accepted* the B/E. **"Documents against payment"**—the buyer must *pay* or *honour* the B/E. before receiving the shipping documents.

**662.** A **TRADE MARK** is a name, symbol, picture, form of device applied to a trader's goods for the purpose of distinguishing them from the similar goods of other traders, in order that he may secure to himself the profits arising from their reputation for superiority. A trade-mark differs both from a patent and from a copyright in its legal character. While Patent-right and Copyright protect the substance of the articles, the protection in the case of a trade-mark extends only to the device or symbol which is invented and adopted to designate the goods sold. A record of registered trade-marks is kept at the Patent Office, 25 Southampton Buildings, London, W.C.

**663. TRANSFER** of **SHARES.** Members of a Company are at liberty to transfer shares in any manner provided by the Articles and subject to the restrictions contained therein. The document in which this change is effected is called the *Transfer* and has to bear a stamp proportioned to the amount or market value of the stock or shares transferred. Both buyer and seller must sign the Transfer in the presence, in England, Ireland, and Wales, of one witness; in Scotland, two witnesses are often necessary. The Transfer is then forwarded to the offices of the Company, whose registrar effects the changes in the books, which act transfers the ownership. This is followed by the issuing of a new Stock or Share Certificate to attest the fact that the purchaser is now the owner of so many shares or of so much stock in the Company. Most Companies charge a *Transfer Fee* of 2/6 when registering a buyer's name.

**664. TRUE DISCOUNT** is the difference in value between a debt due on a given date and the present time. For instance, a B/E. drawn on the first Jan., payable in 3 mos. for £5050, would on the 4th Jan. be worth £5000, if discounted at 4% per ann. True discount, however, is rarely allowed in such transactions. In the above example the discounter would deduct from the principal the *Commercial* or *Banker's* discount of £50 10/-, which is practically interest at 4%.

**665. TRUST** and **TRUSTEE.** A trust is a contrivance whereby one party holds property, real or personal, for the benefit of another. Such person is called a *trustee*, and the person who benefits by the arrangement is called a *cestui que trust*. A trustee has the right to reimburse himself for out-of-pocket expenses, but he has no right to any remuneration for the performance of his duties unless expressly provided for by the document creating the trust. A **Beneficiary** is one in possession of a benefice; also a *cestui que trust*, or person having the enjoyment of property, of which a trustee, executor &c., has the legal possession. The office of **Public Trustee** was created in 1906 and is intended to empower the State, through

that Official, to act as Executor or Trustee to any person who may desire the State to act for him in either of these, and other cognate capacities. The Act enables any person to appoint the Public Trustee, by that name or any other sufficient description, executor or trustee of a will, or trustee of a settlement; or *custodian trustee* of a will or settlement—that is, in this last respect, as trustee to safeguard the capital and safe investment only, leaving the management of the trust to personal trustees. The advantage of appointing the Public Trustee is that he is perpetual, no expense of appointing new trustees ever arising; he will never leave the country, or become incapacitated; and, more important than all, the removal of the risk of loss from incompetency or dishonesty, the State making good to the estate of which it has charge, wherever a private trustee would be liable, all losses to which the Public Trustee in any way contributes, and which by the exercise of reasonable diligence could be averted. The official address is 4 Clement's Inn, London, W.C.

**666. TURNOVER.** The total sales of a trader within a given period. In banking, the total of the debits or the total of the credits placed to an a/c. within a given period.

**667. ULLAGE.** The deficiency from full measure in casks, bottles, or other vessels containing liquids, either through leakage, breakage, evaporation or otherwise.

**668. ULTRA VIRES** means beyond the powers. The expression is often used in connection with the borrowing powers of a company. If the directors have power, under the memorandum and articles of association, to borrow up to a certain fixed amount, it is of vital importance that a banker, who contemplates a loan to the company, should see that, before granting the loan, the directors are not acting ultra vires, that is, that they are not exceeding or going beyond their powers. The directors are hedged in by the memorandum of association and beyond that hedge they cannot go. Intra Vires means within the powers given in the memorandum.

**669. UNDERWRITER (U/w.).** A marine insurer so called from his writing or subscribing his name under each policy of insurance, as a guarantee that, in case of loss or damage, he will be responsible for the amount subscribed by him. Also one who subscribes to a contract of indemnity against failure to obtain applicants for a specified number of shares or amount of loan. **Underwriting** is the guaranteeing of either the whole or a portion of the Capital of a Public Company before the issue of same is offered to the public, a commission payable either in cash or fully-paid shares, or both, being given to those who guarantee to take up, or find approved subscribers for a given number of shares, in the event of the public not subscribing the full amount required. When the underwriting is completed, the prospectus of the Company is publicly advertised,

both by newspaper advertisements, and the issue of prospectuses, and the whole amount subscribed by the public as a result thereof goes in relief of the underwriters. If the public contribute the full number of shares, the underwriter's responsibilities are ended, and he receives the full amount of commission for the risk he has incurred, together with whatever amount he may have deposited in respect of his underwriting contract. If, however, the public do not subscribe the full amount required to complete the issue, then each underwriter is responsible, and may be called upon to take up shares to the extent of the *proportion* of the amount underwritten by him and not taken up by the public.

670. **USURY** is an exorbitant rate of interest charged by money lenders. Where proceedings are taken by a money lender for the recovery of money lent the Court may, upon evidence, decide that the interest charged in respect of the sum actually lent is excessive, and may relieve the person sued from payment of any sum in excess of the sum adjudged by the Court to be fairly due in respect of principal, interest and charges.

671. **VENDU** is a colonial phrase signifying a public auction. The place of sale is sometimes called "the Vendue."

672. **WAREHOUSING** is a system adopted by merchants of storing goods in public warehouses, until sales are effected. A **Warehouse Warrant (W/W.)** is somewhat similar to a D/W., and like the latter is a negotiable instrument. (See par. 571.)

673. **WARRANTY.** A guarantee or stipulation. In contracts for the sale of goods a warranty is defined as: "An agreement with reference to goods which are the subject of a contract of sale, but collateral to the main purpose of such contract, the breach of which gives rise to a claim for damages, but not a right to reject the goods and treat the contract as repudiated."

674. **WATERING.** The act of increasing the face value of stock or shares without making any equivalent increase in the value of the assets they represent.

675. **WAYLEAVES** include all the payments which are made for the privilege of easements over another person's property. As examples one may quote rights of way, water, light and air; encroachments by overhanging eaves or other portion of buildings; telegraph and telephone poles. Such easements are, as a rule, the subjects of agreement between the parties, and a rental either of substantial character or of a more or less nominal amount is payable in respect of them.

676. **WINDING UP** is the process by which a Limited Company terminates its legal existence. A company cannot be made bankrupt; it must be wound up. Bankruptcy, how-

ever, is not always the cause of winding up; there may be other causes; and a perfectly solvent company is sometimes wound up in order to amalgamate with another. There are three methods of winding up:—(1) Compulsory, *i.e.*, by order of the Court, (2) Voluntary, *i.e.*, by the Company itself, (3) Voluntary under supervision of the Court.

**677. WINDOW DRESSING** is the arranging of a Balance Sheet by a company so as to make a good show.

**678. WITHOUT PREJUDICE.** A phrase used in negotiations of compromise or offers to settle disputes, in order to guard against any waiver or right should they be ineffectual and go off.

**679. YEARS' PURCHASE.** The value of property is often indicated as being equal to the rent for a certain number of years. For example, a house with a rental of £50 at 20 years' purchase = £1000. If £1000 is paid for the house, the investment thus yields 5 per cent.

**680. YIELD.** A statement that a stock or share will yield so much per cent., means that the return to the investor is at that rate on every £100, or part of £100 of capital sunk. For instance, a 4½ per cent. stock at 108 will yield £4 3 4 per cent.

681. The **ZOLLVEREIN,** or Customs League, is the commercial union of the German Empire, Luxemberg, and two Austrian communes for the regulation of a uniform rate of customs duties throughout the various states comprised in the union. All the receipts of the Zollverein are paid into a common exchequer, and distributed *pro rata* of population, among the states included.


# FARM, GARDEN, DAIRY and ESTATE BOOK-KEEPING

**By H. TAYLOR and J. O. PEET, B.Sc.**

**THIRD EDITION. 255 PAGES. 6/4 POST FREE.**

70 EXERCISES and EXAMINATION PAPERS.

10 TEST PAPERS. RULINGS for A/C. BOOKS.

**ADOPTED by the AGRICULTURAL COLLEGES,**

it being specially designed for graduated instruction in **Private** and **Public Classes.**

**Send Postcard to the Publisher—**

**ARTHUR FIELDHOUSE, P.O. Box A. 27, Huddersfield,**

for copy **Index** and **Specimen Pages;** or Postal Order for **6/4,** when the book will be dispatched by return of post.

**London: Simpkin, Marshall, Hamilton, Kent & Co., Ltd.**

# GENERAL INDEX.

The **numbers** refer to the **pages.**


PAGE

Abatement ..... 63, 98, 103, 932
Abatements of Income Tax... 341, 371-9
Absorption of Company ..... 481-3
Acceptance ..... 153, 158-9, 161, 898
Accident Assurance Co.'s A/cs.....560-3
Accommodation Bills ..... 531, 898
Accountant ..... 885
Accountants & Auditors' Society.....295
Accountants' Certificate.....905
Accountants' Society A/cs..... 499
Account, Consignment..... 188-194
,, Current ..... 884, 886
,, Days ..... 885
,, Definition of ..... 12
,, Open ..... 886
,, Payee ..... 887
,, Rendered ..... 886
,, Sales & A/S. Book ...189, 190
,, Stated .....886
Accounts, Classes of .....14
,, live and dead ..... 292
,, of Bills .....162-4, 173-4, 178
,, of Companies... 412-85, 793-5
,, of Stocks and Shares..... 873
,, Published ..... 795-860
Accounting & Banking Exam. .....298
Accuracy, Proof of ..... 41, 205
Accuracy in work ..... 8, 205, 300
Acreage Rent ..... 543
Action ..... 887
Acts of Bankruptcy ..... 522
Actuary ..... 887
Additions to Property ..... 75
Adjudication in Bankruptcy ..... 522
Adjusting A/cs. ..... 197-9
Adjustment A/cs. .....197-9, 286-7, 595-9
Administration Order ..... 527
,, Letters of...442, 863, 887
Ad Valorem ..... 156, 889, 938
Advantages of Double Entry ..... 32
Adventure ..... 188, 196
Advertising A/c. ..... 119
Advice ..... 887
,, Slip of B/E. ..... 160
Affairs, Statement of ..... 522-36
Affidavit ..... 865, 888
Affreightment ..... 888
"After Sight" ..... 167
Agenda Book ..... 431
Agent ..... 888, 896
Agio ..... 926
Agreement ..... 889
Alkali A/cs. ..... 820
Allonge on B/E. ..... 897
Allotment Letter ..... 427, 437
Allowances ..... 63, 98, 103
Alphabetical Ledgers ..... 585
Alteration of Capital ..... 470-85, 785
Amalgamation of Companies..... 484-5
Amortisation ..... 889
Amusement Co.'s A/cs. ..... 844-5

PAGE

Annual List & Summary ..... 428-30
Annuity ..... 353, 388, 889
Ante-dating ..... 55, 929
Appeal against Income Tax ..... 378-9
Application and Allotment ...437-40, 465
Application, Letter of.....426, 437
Apportionments ..... 197
Appreciation of Assets ..... 259, 496
Appropriation A/c. .....449-50, 469, 505
Appropriation of Payments.....867, 890
Arbitration ..... 890
Arbitration of Exchange ..... 900
Arrangement, Deed of ..... 538-9, 890
Arrears of Cum. Dividends ..... 419
Arrestment ..... 891
Articles of Association ..... 417, 779
Articles of Partnership .....247
Assessment of Income Tax .....346, 355
Assets ..... 28-9, 41, 45, 65, 891
,, Amalgamation ..... 484
,, Annual Summary ..... 428-9
,, Bank Return ..... 894
,, In Bankruptcy ..... 523, 533-4
,, Liquid ..... 277
,, Marshalling of ..... 277
,, Opening Entries ..... 45, 65, 73
,, Order of ..... 277
Assignment ..... 891
Assignment of Life Policy ..... 559
Assistants' Weekly Averages .....598
"At Sight" ..... 899
Attachment ..... 916
Attorney ..... 888, 929
Attorney, Power of .....929
Auctioneers' Institute ..... 295
Audit ..... 793-5, 885-6
Auditors ..... 793-7, 805, 837, 885
Authorised Capital ..... 418
Authors & Income Tax ..... 389
Authors' Society A/cs. ..... 502
Average, Marine ..... 891
,, Due Date ..... 892
Average Tare ..... 940
Award ..... 890

Backing a Bill ..... 897
Bad Debts A/c..... 66, 67, 85, 107, 304
Bad Debts Reserve ..... 199
Balances carried down ..... 17, 22, 41
,, Accountants' Society .... 499
,, Alkali Co. ..... 820
Balance Sheet Amusement Co. ..... 843
Balance Sheet 28-9, 41-3, 72, 122, 275-282
,, Assurance Co. ..... 563, 565
,, Bank of England..... 894-5
,, Banking Co. ... 282, 837, 860
,, Bankrupt ..... 523, 527-36
,, Book Debts ..... 201
,, Boot Manufacturers .... 811
,, Branch ..... 600-6

PAGE

Balance Sheet, Brewery Co. ..... 843
,, Butter Dealer ..... 814
,, Carpet Manufacturers.... 822
,, Caterers ..... 808, 824, 840
,, Chemist & Druggist ..... 841
,, Chemical Manufacturers 820
,, Cloth Manufacturers..... 822
,, Coal Co. ..... 503
,, Cotton Co. ..... 798, 807
,, Cycle Manufacturers..... 812
,, Discount Reserve ..... 202-3
,, Double A/c. System 503, 516
,, Doubtful Debts Reserve 201
,, Electric Lighting Co..... 513
,, Engineering Co. ... 281, 802
,, Executorship ..... 874
,, Exploration Co. ..... 846
,, Fireclay Co. ..... 819
,, Gas Co. ..... 510
,, General Dealers ..... 826
,, Gold Mining ..... 800, 848-54
,, Hotel Co. ..... 593, 830
,, Jeweller ..... 817
,, Newspaper Co. ..... 246
,, "Nicotine, Limited" ... 469
,, Order of Items ..... 277
,, Outfitters ..... 810, 821, 826
,, Partnership .....72, 257-66, 275-80, 306
,, Political Club ..... 501
,, Provision Dealer ..... 808
,, Publishing Co. ..... 838-9
,, Railway Co. ..... 507
,, Reserves ..... 201-3
,, Restaurant Co. 804, 824, 840
,, Sewing Cotton ..... 806
,, Shipping Co. ..... 802, 833
,, Soap Manufacturer 811, 816, 823
,, Spinning Co. ..... 798
,, Tea Dealers ..... 814, 818
,, Tobacco Co. .....469, 815, 834
,, Valuation .....560, 564
,, Waterworks Co. ..... 515
Balancing Bad Debts A/c. ..... 67
, Balance Sheet ..... 29, 72
,, Bank Columns, C.B ..... 83
,, Books ..... 40
,, B/R. & B/P. A/cs. 163-4, 173
,, Branch Books ..... 595-9
,, Capital A/c. ..... 27, 71
,, Cash A/c. ..... 17, 80
,, ,, Book ..... 80-3
,, Commission A/c. 24, 193, 209
,, Consign. A/cs. ..... 189-194
,, Contract A/cs. ..... 218-9
,, Current A/c. ..... 70, 71
,, Depreciation A/c. ..... 77
,, Discount A/c. ..... 64
,, Doubtful Debts Res. ..... 200
,, Drawing A/c. ..... 70, 71
,, Goods A/c. ..... 19
,, Interest A/c. ..... 64
,, Joint A/c. ..... 197
,, Personal A/c. ..... 22
,, P. & L. A/c. ..... 25, 70
,, Property A/cs. ..... 75
Ship A/c. ..... 78
Stocks & Shares A/cs. 77, 78

PAGE

Balancing Trade Exs. A/c. ..... 46
,, Trading A/c. 104-5, 122, 272 4
,, Wages A/c. ..... 75, 198
Bank ..... 50
Bank Balance Sheet...282, 796, 837, 860
,, Bill ..... 892-3, 898
,, Cash Credit ..... 903
,, Charges ..... 63, 83
,, Charter Act, 1844 ..... 895
,, Clearing ..... 906
,, Columns of Cash Book ..... 82, 84
,, Commercial Credit ..... 903
,, Commission ..... 50, 63
,, Deposit of Deeds ..... 51
,, Discount ..... 893
,, Examinations ..... 295
,, Interest ..... 50, 83
,, Ledgers ..... 284
,, Loans ..... 50
,, Minimum Balance ..... 50
,, Notes ..... 59, 894-5
,, of England ..... 60, 893-6
,, of Issue ..... 59
,, Pass Book ..... 51, 59, 83
,, Post Bills ..... 893, 896
,, Profit & Loss A/c. ... 282, 837, 860
,, Rate ..... 893
,, Rebate ..... 179
,, Reserve ..... 894-6
,, Rest ..... 895
,, Return ..... 894-5
Banker and Cheques ..... 56, 57
Banker and Bankrupt ..... 530
Bankers' Clearing House ..... 906
,, Drafts ..... 892-3
,, Institute ..... 295
,, Ledgers ..... 284
,, Ticket ..... 175
Bankruptcy, Proceedings ..... 522-9
,, Acts of ..... 522
,, Adjudication in ..... 522
,, Administration Order ... 527
,, Arrangement with Crs. 537-9
,, Assets ..... 523, 533-4
,, Balance Sheet ..... 528, 536
,, Banker ..... 530
,, B/E. as Assets ..... 534
,, Bill of Sale ..... 530
,, Board of Trade ..... 524-5
,, Book Debts ..... 534
,, Capital A/c. ..... 534
,, Com. of Inspection ..... 525
,, Composition in ..... 524
,, Contingent Liabilities.... 531
,, Contra A/c. ..... 529
,, Copyright ..... 534
,, Creditors for Rent ..... 532
,, Deed of Arrangement... 538-9
,, Deficiency A/c. ..... 535-6
,, Discharge of Debtor 10, 525
,, Dissolution ..... 536
,, Dividend ..... 527
,, Examination in ..... 524
,, Forms A to L. ..... 529-36
,, Fraudulent Preference 522, 916
,, Front Sheet ..... 536
,, Hire Purchase ..... 530

PAGE

Bankruptcy, Joint Creditors ..... 537
,, Liabilities ..... 523, 529-33
,, Liabilities on B/E ..... 531
,, Meeting of Creditors.... 524
,, Misconduct ..... 527
,, Misdemeanour in ..... 525
,, Official Receiver ..... 524
,, Partnership ...69, 529, 536-7
,, Petition ..... 522
,, Preferential Creditors.... 533
,, Preliminary Exs. of ..... 522
,, Proof of Debt ..... 529
,, Property ..... 533
,, Public Examination .... 524
,, Rates and Taxes ..... 533
,, Realization Statement 525-6
,, Receiving Order ..... 524-5
,, Release in ..... 525
,, Rent ..... 532, 934
,, Scheme in ..... 524
,, Secured Creditors ..... 530-1
,, Shareholder ..... 442, 782
,, Small Estates ..... 527
,, Solicitor ..... 524, 530
,, Statement of Affairs...523-36
,, Trustee in .....525, 537-9
,, Trust Funds ..... 530
,, Undischarged Bankrupt 527
,, Unsecured Creditors..... 529
,, Wages and Salaries 529, 533
Bargains for Account ..... 885
Barratry ..... 920
Barter ..... 925
Bearer ..... 53
Bearer Share Warrants..... 784
Beneficiary ..... 530, 941
Bills of Exchange .....153-182. 896-901
Bill, Acceptance of... 153, 158-9, 161, 167
,, Acceptance for Honour ..... 898
,, Accepting of Foreign ..... 167
,, ,, Inland ..... 158
,, Acceptor of ..... 158
,, Accommodation ..... 898
,, Accounts of ..... 162, 173, 178
,, Advantages of ..... 153
,, Advising .....160, 167
,, "After Sight" ..... 167
,, Allonge on..... 896
,, Amount of .....155, 167
,, Arbitration of Exchange ..... 900
,, "At Sight" .....156, 899
,, Backing of ..... 897
,, Bank ..... 892-8
,, Bankruptcy ..... 531-4
,, Brokers ..... 168
,, Buying of ..... 168, 170
,, "Case of Need" ..... 897
,, Channel Islands ..... 157
,, Clean ..... 900
,, Collection of ..... 162, 176
,, Company ..... 152
,, Composition on ..... 899
,, Consideration of ..... 157
,, Contents of ..... 155
,, Copy of ..... 899
,, Council ..... 909
,, Currency of ..... 155
,, Date of ..... 155
,, Days of Grace on ..... 159, 161

PAGE

Bill, Definition of ..... 154
,, Differences B/E. and P/N..... 899
,, Discounting ..... 172
,, Dishonoured ..... 174-6
,, Documentary ..... 900
,, Domiciled ..... 159
,, Drafting a .....155, 166, 896
,, Drawee of ..... 155, 156
,, Drawer of ..... 155, 156
,, Drawer's Liability ..... 896
,, Due date ..... 159
,, Endorsement of ..... 896-7
,, Fine Paper ..... 898
,, First ..... 166, 899
,, Foreign ..... 5, 165-172
,, Holder of ..... 162, 899
,, Honoured ..... 160
,, India Council ..... 909
,, Inland ..... 155
,, Interest on ..... 156
,, Isle of Man ..... 157
,, Letter enclosing ..... 157
,, Liability and Security ..... 898
,, Long ..... 899
,, Lost ..... 161
,, Maturity of ..... 159. 160, 168
,, Measure of Damages ..... 175
,, Mode of payment of ..... 159
,, Negotiation of ..... 172, 897
,, Notice of Dishonour of ..... 176
,, Noting of .....174-5, 899
,, Not negotiable ..... 897
,, Parties to ..... 156
,, Payable ..... 162-4, 179
,, Payable to holder of office ... 156
,, ,, with interest ..... 156
,, Payee of ..... 156, 159
,, Payer of ..... 159
,, Payment of ..... 160, 168
,, Presentation of ..... 160
,, Procedure as to ..... 157, 167
,, Protest of ..... 175, 899
,, Rebate on ..... 179, 180
,, Receivable ..... 162-4
,, Receivable Ledger ..... 181-2
,, Renewed ..... 177
,, Retiring ..... 179
,, "Sans Recours" ..... 896
,, Set of Foreign ..... 166
,, Short ..... 899
,, Sole ..... 899
,, Stamp on ..... 156
,, Supra Protest ..... 899
,, Tenor of ..... 155
,, Term of ..... 155
,, Trade ..... 898
,, Transferor ..... 897
,, Undated ..... 155
,, Usance of ..... 880, 899
,, "Value received" ..... 157
,, Via of a ..... 166, 899
,, Without grace ..... 159
,, Books ..... 180-2
,, of Lading ..... 901
,, of Sale ..... 530, 902
Bi-metallism ..... 926
Blank Cheque ..... 902
Blank Endorsement ..... 896
Blind Entry ..... 284

PAGE

Board of Trade ..... 524-5, 538, 902
Bond ..... 218, 902
Bonded Goods ..... 902
Bonus ..... 470, 902
Bonus Shares ..... 470-1
Book Debts ..... 201, 534, 902
Book-keeping and Income Tax 345, 378
Bookseller & Stationer, Sales ..... 583-4
Books for Companies ..... 427-31
Books of Original Entry 13, 37, 79, 80-9
Boom ..... 903
Boot and Shoe A/cs. ..... 811
Bottomry ..... 903
Bought Book ..... 79, 87, 88, 90
" Tabular ..... 91, 93
" Summarised ..... 91
Bought Ledger ..... 284
" " Adjustment A/c. ... 285-7
" " Trial Balance ..... 291
Bounty ..... 903
Branch A/cs. ..... 594, 606
Brewery A/cs. ..... 842-3
Brick Cost Sheet ..... 551
"Brought forward" .....17, 36
Broker and Brokerage ..... 168, 888
Building Soc., Int. & Income Tax 371
Bullion ..... 925
Butter & Egg Merchant A/cs..... 814
"By" .....16, 28, 34

Called-up Capital ..... 418
Calls and Call Book .....438-41, 780
Cambist ..... 903
Cambridge Local Exam. ..... 296
Capital 16, 26, 29, 62, 276, 417-20, 444
" Alteration of ..... 470-7, 785
" Account ....26-7, 36, 41-2, 105-6-8
" Assets ..... 516
" Authorised ..... 418
" Balance Sheet ..... 280-1
" Bankruptcy ..... 534
" Called-up ..... 418
" Circulating ..... 276
" Coal Co. ..... 503
" Double A/c. System ..... 503-20
" Electric Lighting Co. ..... 512
" Estate ..... 869
" Expenditure ..... 445, 516-8
" Fixed and Floating ..... 276
" Gas Co. ..... 509
" Increase of ..... 570-1
" Interest on ..... 62, 70
" Issued ..... 418
" Investment ..... 77, 78
" Nominal ..... 418
" Paid-up ..... 418
" Partnership ..... 70-2
" Proprietors ..... 105, 276
" Railway Co. ..... 506
" Reduction of ..... 572-3
" Registered ..... 418
" Shares ..... 417-8, 454
" Subscribed ..... 418
" Trading ..... 276
" Waterworks Co. ..... 515
" Working ..... 73, 257, 277, 418
Capitalised Expenditure ..... 519
Capitalised Profits ..... 494
Captain's protest ..... 924

PAGE

Carbon Copies ..... 113
Card Indexing ..... 292, 883
Card Ledgers ..... 292, 883
Carpet Manufacturer's A/cs. ..... 822
Carriage A/c. .....106, 119
Carriage and Cartage ..... 67, 106
"Carried down" ..... 17, 22
" " forward" ..... 8, 36
"Case of Need" ..... 897
Cash ..... 15
" A/cs. ..... 15, 42, 80, 497
" Credit ..... 903
" Order ..... 904
" on Delivery ..... 940
" against documents ..... 940
" Book 79, 80, 81, 84, 289, 290, 466-7
" " Bank Columns ... 82, 84, 117
" " Discount Columns 85, 86, 117
" " Executorship ..... 871
" " Tabular ..... 84, 86, 289, 290
" Discount ..... 63
" Sales & Purchases 18, 46, 87, 89, 90
" Summary A/c. ..... 497
Caterers' A/cs. .....804, 824-5
C. & F. and C.I.F. ..... 940
Central Welsh Board ..... 296
Certain Rent ..... 543
Certificate of Auditors...797, 837, 840-1
" Incorporation ..... 416
" Past Profits ..... 905
" Shares ..... 443, 779, 904
" Trading ..... 906
Channel Islands, B/E ..... 157
Charges on Goods ..... 67
Charter Party ..... 905
Chartered Accountants ..... 295
Chartered Institute of Secretaries... 295
Chemical Manufacturers' A/cs. ..... 820
Chemist & Druggists' A/cs. ...582, 841
Cheques ..... 51,52
" Blank ..... 902
Cheque Book ..... 52
" Amount of ..... 56
" Ante-dated ..... 55
" "to Bearer" ..... 53
" Counterfoil of ..... 52, 56
" Crossed ..... 54, 55
" Date of ..... 55
" Dishonoured ..... 53
" Drawing ..... 55, 56
" Endorsing ..... 53, 58
" Foreign ..... 52
" Forged ..... 57
" How entered ..... 58
" Incomplete ..... 56
" Marked ..... 53
" Mutilated ..... 57
" Negotiating ..... 54
" Not negotiable ..... 57
" Open ..... 55
" "or Order" ..... 53, 54
" "to Order" ..... 53
" Payee ..... 52, 56
" Post-dated ..... 55
" Presenting ..... 53
" Scotch ..... 53
" Signature ..... 56
" Stale ..... 57

PAGE

Cheque Torn ..... 57
" Undated ..... 55
" Unpresented ..... 83
" Unstamped ..... 52
Chief Rent ..... 935
Children and Income Tax ..... 341, 372
Chose in action ..... 932
Chronological record ..... 12, 33
Cigar Trade Books ..... 567-8
Circular Notes ..... 905
Circulating Assets ..... 276, 516
" Medium ..... 896, 925
Circulation of a Bill ..... 172
Civil Service Exams. ..... 296
Classified record ..... 13, 38
Clean B/E. ..... 900
Clearing (Banks) ..... 906
Clearing a Vessel ..... 906
Clerks and Income Tax ..... 353
Closing Entries ..... 94, 95, 115
Cloth Cost Book ..... 552
" Merchants A/cs. ..... 572, 822
" P. & L. A/c. ..... 275
" Trading A/c. ..... 274
Coal & Lime Merchants Sales ..... 570
Coal Mining A/cs. ...272, 503, 551, 819
C.O.D. ..... 940
Codicil ..... 862
Coffee & Tea Merchant ..... 573
Collateral Security ..... 218
Collection of B/E. ..... 162
College of Preceptors ..... 296
Columnar System ...86, 91, 302, 566-88
Combinations in Journalising ... 60, 89
Commencing Business ..... 906
Commerce ..... 906
Commercial Credit ..... 903
Commission ..... 63, 193
" A/c. ..... 193
" Sales on ..... 193, 208-9
Committee of Inspection ..... 525
Common Transfer Deed ..... 443
Company, Joint Stock ..... 412
" Absorption ..... 481-3
" Accounts of a ..... 427-84, 793
" Agenda Book ..... 431
" Alteration of Capital ..... 785
" Amalgamation ..... 484-5
" Annual Return ..... 428-30, 795
" Application & Allot. ... 437-40
" Do. Book ...437, 465
" Application Letter ..... 426
" Appropriation A/c. 449-50, 469
" Articles of Association 417, 795
" Audit ..... 793
" Auditors ..... 793-5
" Balance Sheet ..... 469, 795
" Bankruptcy of Member 442, 782
" Bearer Share Warrant..... 784
" Bonus Shares ..... 470-1
" Books required ..... 427-31
" B/E. on ..... 152
" Calls, Call Book ... 440-1, 780
" Call Letter ..... 440
" Capital of ..... 417-8, 470, 785
" Capital & Revenue ..... 444
" Cash Book ..... 466-7
" Cert. of Incorporation .... 416
" Certificate of Profits ..... 905

PAGE

Company, Certificate of Shares ..... 443, 780, 904
" Commencing Business 779, 906
" Common Transfer Deed... 443
" Consolidation Act, 1908... 413
" Contributory ..... 908
" Conversion of Shares ..... 788
" Death of Shareholder 442, 782
" Debentures of ..... 419-20
" Directors ..... 427-8, 788-92
" Dividends of 446-50, 792, 913
" Dividend A/c. Book ..... 448-9
" Forfeited Shares 441, 463, 782
" Formation Expenses ..... 436
" Forms ..... 428-31
" General Meetings ..... 786
" Guarantee ..... 413-4
" Impersonal Ledger ..... 462-3
" Income Tax ..... 446
" Incorporation of ... 416-7, 917
" Increase of Capital ..... 470-1
" Interim Dividend..... 447-50
" Inspection of Register ... 428
" Journal..... 435, 438-9, 450-3
" Letter of Application 426, 437
" Do. Allotment ... 427, 437
" Letter of Regret ..... 427, 437
" Lien on Shares ..... 780
" Limited ..... 412-3, 417
" Liquidation ..... 923, 943
" Loans to ..... 419-20
" Memorandum of Ass. 417, 777
" Minute Book ..... 427, 924
" Model Exercise ..... 432-69
" Mortgage by ..... 419-20
" Notices ..... 793-4
" One-man ..... 414
" Preliminary Expenses ... 436-7
" Profits & Dividends ..... 446-50
" P. & L. A/cs. ..... 468-9
" Private ..... 414-5
" Proceedings of Meetings... 786
" " Directors .... 971
" Promoter ..... 930
" Prospectus of ..... 425-7
" Public ..... 414-6
" Published Accounts ... 795-860
" Purchase of Business 435-6, 463
" Reconstruction ..... 474-80
" Reduction of Capital .... 472-3
" Registered Office ..... 417, 933
" Registers, &c. ..... 427-31
" Register of Mortgages 428, 463
" Registration Agents ..... 431
" Registration of ..... 416
" Reserve ..... 493-6, 792
" Revenue A/cs. of ..... 444
" Seal of ..... 790, 936
" Secretary of ..... 936
" Share Certificate ... 443, 780-1
" Share Ledger ..... 427, 454-61
" Share Register .....427-8, 448
" Shares of ..... 418-9, 779-85
" Share Warrants ..... 784
" Signatories ..... 416, 778
" Sinking Fund ..... 421-5
" Statutory Books ..... 427-8
" Statutory Meeting ... 427, 796
" Stock ..... 783
" Statutory Report ..... 796-7

PAGE

Company Subscribers ..... 416, 778
,, Summary of Capital.....429-30
,, Table A ..... 417, 493, 779
,, Terms of Issue of Shares 420
,, Trading A/c. of ..... 468
,, Trading Certificate ..... 906
,, Transfer of Assets, &c. ... 435
,, Transfer of Shares 441-3, 781, 941
,, Trial Balance ..... 464
,, Unclaimed Dividends 448, 913
,, Unlimited ..... 412-3
,, Vendor's A/c. ..... 436
,, Votes of Members ..... 788
,, Winding up ..... 474
Comparison Costs Register ..... 554
Compensating Interest ..... 907
Composition .....66, 85, 524, 899, 918
Consideration .....157, 907
Consignment Books ..... 188, 192
Consignments Out ..... 188
Consignments In ..... 192
Consols ..... 907
Consul ..... 907
Consular Invoice ..... 907
Contango Day ..... 885
Continental System ..... 4, 79
Contingent A/c. ..... 197
Contingent Liabilities ..... 531, 922
Contra ..... 80, 529
Contraband ..... 918
Contracts ..... 218-9, 907
Contract A/c. ..... 218-20, 298
Contract Costs ..... 448
Contract Note ..... 908
Contributory ..... 908
Co-op. Societies & Income Tax 343, 371
Conversion of Business ..... 435
,, Shares into Stock ..... 788
,, Single Entry into D.E. 223-4
Convertible Notes ..... 926
Copyright ..... 534, 908
Corporation ..... 908
Corporation of Accountants,Ltd. 295, 498
Corpus A/c. ..... 869
Corrected Invoice ..... 98, 103
Cost Book System ..... 909
Cost A/cs. ..... 548-55
,, Book or Ledger ..... 550
,, Bricks ..... 551
,, Cloth ..... 552
,, Collieries ..... 550
,, Contract ..... 548
,, Departmental ..... 548
,, Direct Expenses .....549-50
,, Electrical ..... 555
,, Engineering ..... 554
,, First ..... 549
,, Fixed ..... 550
,, Flat ..... 549
,, Indirect Expenses ..... 550
,, Ironworks ..... 550-1
,, Labour ..... 549-50
,, Material ..... 549-50
,, Multiple ..... 548
,, On-cost ..... 550
,, Operating ..... 549
,, Output ..... 549

PAGE

Cost Overhead ..... 550
,, Pig Iron ..... 551
,, Prime ..... 549
,, Printing ..... 553
,, Process ..... 549
,, Profit ..... 550
,, Selling Price ..... 548-9, 550
,, Single ..... 548
,, Terminal ..... 548
,, Total ..... 550
,, Working ..... 549
Cotton A/cs. ..... 805-7
,, Spinning A/cs. ..... 798
Council Bills ..... 909
Counter Claim ..... 938
Counterfoil ..... 52, 56, 59
Countermand of Cheque ..... 56
Counterpart of Lease ..... 922
Counter-sign ..... 910
Country Clearing ..... 906
Country Notes ..... 60
County Court ..... 912
Coupons ..... 913
Course of Exchange .....170, 879
Credit .....14, 903
Credit Balance .....22, 28, 275
Credit Ledger ..... 284
,, Note..... 98, 99, 100, 113, 910-1
,, Sales ..... 18
,, Slip .....59, 162
Creditors .....14, 28, 32, 911
,, Banker ..... 530
,, in Bankruptcy .....529-33
,, Contra A/c. ..... 529
,, Fully Secured ..... 530-1
,, Joint ..... 537
,, Judgment ..... 912
,, Meeting of ..... 524
,, Partly Secured ..... 531
,, Partnership ..... 249
,, Preferential ..... 532-3
,, Proof of Debt ..... 529
,, Rates & Taxes ..... 533
,, Rent ..... 532
,, Reserve for Discount ... 202-3
,, Solicitor ..... 530
,, Unsecured .....529
,, Wages ..... 533
Crossed Cheques ..... 54, 57
Crown Debts ..... 911
Cum. Dividend ..... 913
Cumulative Pref. Shares ..... 419
Currency ..... 925
Current A/c..... 884, 888
Current A/cs. of Partners 70, 71, 254-6
,, Bank A/c. ..... 50, 217
,, Market Price ..... 19
Customary Tare ..... 940
Customers' Ledger ..... 284
Customs ..... 194
Cycle Manufacturers' A/cs. ..... 812-3
Cycle & Motor Dealer ..... 582

Day Book ..... 89
Dairy Cos. A/cs. ..... 814
Dairy Trade Sales ..... 576
Days of Grace on B/E. 159, 161, 171, 880
,, ,, Premiums ..... 539
Dead Freight ..... 916

PAGE

Dead Rents ..... 543-6
Death Duties ..... 865-6
Death of Partner ..... 248, 260
,, Shareholder ..... 442
Debenture (export) ..... 911
,, Interest Book ..... 431
,, Premium A/c. ..... 420
Debentures .....419-23, 927
Debit ..... 14
Debit Balance ..... 22, 28, 275
,, Ledger ..... 284
,, Note ..... 103, 911
Debt ..... 911
Debtor ..... 14, 28, 32, 911
,, Administration Order ..... 527
,, Arrangement ..... 537-9
,, Assignment ..... 538
,, Bad Debts ..... 199
,, in Bankruptcy ..... 522
,, Judgment ..... 912
,, Book Debts of ..... 199, 534
,, Deceased ..... 533
,, Deficiency A/c. ..... 534-5
,, Discharge of ..... 525
,, Examination of ..... 524
,, Property of ..... 533-4
,, Reserves ..... 199-201
,, Statement of Affairs..... 522-39
Debtors' Act, 1869 ..... 525, 912
Deductions for Income Tax .....368-71
Deed of Arrangement ..... 538, 890
Default Summons ..... 912
Deferred Annuities ..... 890
Deferred Shares ..... 419
Deficiency ..... 28, 29, 263-5
Deficiency A/c. ..... 534-5
Deficiency of Capital ..... 263-5
Del Credere ..... 888
Delivery Order ..... 914
Demurrage ..... 912
Departmental Costs ..... 548
Departmental Ledgers 285, 566-7, 584-5
Departmental A/cs. ..... 566-87, 594
Departmental Columns ..... 91, 566-87
Deposit A/c. ..... 50
Deposit of Deeds ..... 51
Depreciation ..... 76-7
,, Account ..... 76-7, 108, 120
,, of Assets ..... 422
,, Balance Sheet ..... 279-81
,, Engine & Boiler ..... 76
,, Fund A/c. ..... 495, 517-9
,, Income Tax ..... 357-70
,, Machinery A/c ..... 279
,, Patent ..... 928
,, Profit & Loss A/c.... 358-9
,, Rates allowed ..... 364-5
,, Rates of ..... 77
,, and Revenue ..... 422
,, Sinking Fund ..... 421-3
,, Wear and Tear..... 357-70
Derelict ..... 935
Designs and Models ..... 912
Dexterity in work ..... 300
Diminution of Income ..... 381-2
Diplomas for Teachers ..... 296-8
Direct Expenses ..... 549
Directors of Companies ..... 788
Directors' Fees and Income Tax 353, 371

PAGE

Directors, Register of ..... 427-8
Discharge of Debtor .....10, 525
Discontinuance of Business ..... 382-3
Discount ..... 63, 172-4, 179, 272, 941
,, A/c. 64, 85, 86, 107, 120, 180
,, on Income Tax ..... 378
,, Rate of ..... 174
Discounted Shares .....420-1, 479
Discounting B/E. ..... 172
Discovery of Errors ..... 283
Dishonoured Cheques, &c. ... 53, 83, 132
Dishonoured B/E. ..... 174-6
Disqualifications of Directors ..... 790
Dissolution of Partnership ... 248, 253, 259-66
Distraint and Distress ..... 913
Distribution Expenses ..... 273
,, of Estates ..... 861-8
District Sales Book ..... 585
Dividend ..... 446, 792, 913
,, Account Book ..... 448-9
,, Arrears of ..... 419
,, Bankruptcy ..... 66, 527
,, Book Debts ..... 85
,, Ex and Cum ..... 913
,, Income Tax ..... 390, 446
,, on Investment ..... 75
,, Joint Stock Cos. ... 447-9, 792
,, Notice of ..... 390, 914
,, Profit & Loss A/c. ..... 75
,, Warrant ..... 448, 913-4
,, Unclaimed ..... 448, 913
Dock Warrant ..... 914
Documentary Bills ..... 900, 940
Documents against Acceptance ..... 940
Double A/c. System ..... 503-20
Double A/c. Entry .....31-32, 220-5
Doubtful Debts A/c. ..... 199-201
Draft or Waste ..... 940
Draft (B/E.) ..... 153, 892-3
Drapery & Dressmaking ..... 572, 821
Drawback ..... 911
Drawer and Drawee ..... 51, 155, 156
Drawings A/c. ..... 70, 108, 254-6
,, Bank A/c. ..... 50
Drawings of Partners ..... 70, 254-6
Drug Co.'s A/cs. ..... 841
Druggist & Chemist Purchases ..... 582
Due Date, Average ..... 891
Duties of Directors ..... 789
Duties on Goods ..... 194

Earned Income ..... 375-6
Earnest ..... 935
Egg & Butter Merchants' A/cs. 576, 814
Electrical Engineering Costs ..... 555
Electric Lighting A/cs..... 511-3, 519
Embezzlement ..... 371, 915
Employers and Income Tax ..... 353
Empties ..... 98
Endorsee and Endorser ... 172, 396, 915
Endorsing ..... 53
Engineering A/cs. .....281, 623, 749, 802, 896
Engineering Cost Card ..... 554-5
English System ..... 79
Enquiry Agencies ..... 916
Entrepôts ..... 902
Entry ..... 12

PAGE

Erasures ..... 9
Equitable Mortgage ..... 216-7
Equity of Redemption ..... 217
Errors ..... 98, 205, 915
E.E. and E. & O.E. ..... 915
Establishment Charges ..... 273
Estate A/c. ..... 869-70
Estate Duty ..... 865
Estate Petty Cash Book ..... 580
Estate Purchases Book ..... 578
Estate Rent Book ..... 579
Estate Rent Ledger ..... 579
Estate Sales Book ..... 578
Estate Wages Book ..... 580
Estimated Tare ..... 940
Examination of Bankruptcy ..... 524
Examinations and Instructions ..... 114, 137-147, 295-304
Examination Papers ..... 114, 295-304
Excess Profits Duty ..... 392-5
Exchange A/c. ..... 171
Exchanges ..... 168-9, 878-9
Excise ..... 124
Ex-dividend ..... 913
Execution ..... 915
Executor ..... 863
Executorship A/cs. ..... 861-74
Exemption from Income Tax 371-2, 391
Exercise Books and Sheets ..... 8, 303
Expenses A/c. ..... 107
Expenses Journal ..... 595, 601
Expenses of Maintenance ..... 75
Exploration Co.'s A/cs. ..... 846-7
Extending Protest ..... 899

Factor ..... 188, 888
Farmer's Tax, Sch. B. ..... 348-52
Farming Sales Book ..... 576-7
F.a.s. ..... 940
Fee Farm Rent ..... 934
Finance Act, 1907 ..... 374
Finder of Goods ..... 915
Fine Paper ..... 899
Fireclay Co.'s A/cs. ..... 819
Fire Insurance A/c. ..... 199, 562
Firm and Firm Name ..... 259
,, Offer or Refusal ..... 915
First Cost ..... 549
Fishing Trade Purchases ..... 581
Fish Merchant and Curer ..... 581
Fixed Assets ..... 276, 546, 596
Fixed Capital ..... 276
Fixed Costs ..... 549
Fixed Rents ..... 543
Flat Cost ..... 549
Floating Assets ..... 276
Floating Balance ..... 896
Floating Capital ..... 276
Flour, Hay & Seed Trade ..... 575
F.o.b. ..... 940
Folio ..... 38, 93, 915
Folioing ..... 38
Foreclosure ..... 217
Foreign Banker's Draft ..... 892-3
,, Bills & Exchanges 155, 165-172, 878-9
,, Cheques ..... 52
,, Days of Grace ..... 171, 880

PAGE

Foreign Exchange A/c. ..... 171
Forfeited Shares ..... 441, 463, 782
Forged Cheque ..... 57
Forged Endorsement ..... 57
Forgery ..... 57, 916
Formation Expenses ..... 436-7
Form E., Limited Co. ..... 428-30
Founders' Shares ..... 419
F.p.a. ..... 891
Franco ..... 940
Fraudulent Preference ..... 522, 916
Freehold Ground Rent ..... 934
Free of Income Tax ..... 390-1, 446
Free Rent ..... 935
Freight ..... 916
Fuel ..... 272
Fully Worked Keys ..... 298-301
Furniture and Fittings A/c. ..... 118

Gains ..... 24
*Garner v. Murray* ..... 263-5
Garnishee Order ..... 57, 916
Gas Co.'s A/cs. ..... 508-10, 518
Gazette ..... 249, 916
General Average ..... 891
General Balance Sheet ..... 516
General Expenses A/c. ..... 107, 120
General Ledger ..... 284-5
General Led. Adjustment A/c. ... 286-7
,, ,, Trial Balance ..... 291
General Lien ..... 923
General Meetings ..... 748-52
Gentlemen's Outfitter, Sales ..... 571
Gilt-edged Securities ..... 916
Gold Mining ..... 272, 799-801, 848-57
Gold Point ..... 169
Gold Standard ..... 925
"Goods" ..... 18
,, A/c. 7, 17, 18, 19, 42. 88, 104
,, Charges on ..... 67
Goodwill ..... 72, 256-60, 916
Government Securities ..... 896
Grain Merchant's Purchases ..... 575
Grocers' Institute ..... 295
Grocery A/cs. ..... 808
Grocery Trade Purchases ..... 573
Gross Profit ..... 18, 19, 40, 104, 273
Gross Weight ..... 939
Ground Rent ..... 934
Guarantee Companies ..... 413-4
Guaranteed Stock ..... 939
Guarantor ..... 939
Guard Book ..... 87, 190

Hay & Straw Merchant ..... 575
Headings of A/cs. and Books ..... 9, 38
Head Office A/c. ..... 595-9
Head Rent ..... 543
Hidden Reserve ..... 496
Hire Purchase ..... 530
Holder of a Bill ..... 162, 167, 899
Holding Out ..... 917
Home Charges ..... 909
Home Work ..... 9, 300
Hotel A/cs. ..... 587-93, 829-31
House Duty ..... 918
Hypothecation ..... 917

Impersonal A/cs. ..... 14, 31
,, Ledger ..... 284, 462-3

PAGE

Imprest System of Petty Cash .....67-8
Improvements to Property ..... 75
In Bond ..... 902
Income A/c. ..... 868, 873
Income and Expenditure A/c. .....497-8
Income Tax .....940-91, 446
,, Abatements ..... 341, 371-4
,, Accounts ..... 358-73, 378-80
,, Agricultural Depression... 349-50
,, Allowances ... 346-7, 368-71, 379
,, Annual Interest ..... 366
,, Annuities ..... 353, 388
,, Appeal ..... 349-52
,, Assessment Books ..... 346
,, Authors ..... 389
,, Average Profits..... 353, 356, 359
,, Book-keeping ..... 345
,, Building Soc. Int. ..... 371
,, Charities ..... 343
,, Children under 16 .....363, 372
,, Clerks ..... 353
,, Co-operative Societies ... 343-371
,, Deceased person ..... 391
,, Deductions allowed 346, 368-71
,, ,, not allowed ..... 366-8
,, Depreciation ..... 364-5
,, Diminution of Income 381-2,385-7
,, Directors' Fees .....353, 371
,, Discount ..... 378
,, Discontinuance of Business 382-3
,, Dividends, Sch. C. ..... 353, 390
,, Earned Income ..... 375-6
,, Embezzlement ..... 371
,, Employers Return ..... 353
,, Excess Profits ..... 392-5
,, Exemption ..... 347, 371
,, Farmer's Tax, Sch. B. ..... 348
,, Finance Act, 1907 ..... 374-5
,, Free of Tax ..... 390-1
,, Ground Rent ..... 366
,, Instalments ..... 378
,, Interest & Partners ..... 383-4
,, Landlord's Property Tax... 345-8
,, Life Insurance 357, 372-3, 380, 386
,, Limited Companies 371, 376, 379
,, Literary Royalties ..... 389
,, Married Women ..... 376-7
,, New Business ..... 356, 381
,, Notice of Appeal ..... 351-2, 378
,, ,, Assessment ..... 378
,, Partners ..... 375-7, 383
,, Patent Royalties ..... 367, 388-9
,, Payable ..... 378
,, Penalty incurred ..... 366
,, Production of Books ..... 345
,, Property Tax, Sch. A. .....345-8
,, Railway Co. & Employees... 353
,, Reduced Incomes ..... 385
,, Remittance of ..... 378
,, Repairs ..... 346, 368
,, Repayment ..... 341, 389-91
,, Return of Assessment ... 355-66
,, ,, Tax ..... 389-91
,, Returns by Employers ..... 353
,, Royalties ..... 367, 388-9, 544
,, Salaries and Pensions E. ... 353
,, Schedules A., B., C., E... 345-55
,, Schedule D. ..... 355-91

PAGE

Income Tax, Ships depreciated ... 370
,, Soldiers & Sailors ..... 385
,, Statement of Income ..... 357-63
,, Statutory Income 344, 348, 359-6
,, Stockholder's Tax ..... 353
,, Succession ..... 356
,, Super Tax ..... 340, 344-5
,, Trader's Books ..... 345
,, Trading and P/L. A/cs... 358-9
,, Unearned .....376
,, Vouchers ..... 390
,, War Services ..... 385 8
,, Wear & Tear ..... 357-70
,, ,, Additions to Plant ... 369
,, ,, Adjustment A/c. .....359
,, ,, Claims for... 361-6, 380-1
,, ,, Diminishing Value.... 369
,, ,, District Allowances 369-70
,, ,, Rates allowed ..... 364-5
,, ,, Ships ..... 370
,, Weekly Wage Earners .....354
Incomplete Cheque ..... 56
Inconvertible Notes ..... 926
Incorporated Law Society ..... 295
Incorporation of Company ..... 412-917
Increase of Capital ..... 470-1, 785
Increment Value Duty ..... 921
Indemnity, Letter of ..... 904
Indent ..... 917
Indexes ..... 292-3, 882-3
Indirect Expenses ..... 550
India Council Drafts ..... 909
Infant ..... 917
Inhabited House Duty ..... 918
Inland Bills ..... 155
Inland Revenue ..... 343, 918
In Liquidation ..... 261, 923
Inner Reserve ..... 496
I.O.U. ..... 918
Inscribed Stock ..... 939
Insolvent ..... 29, 66, 918
Inspection of Share Register ..... 428
Institute of Chartered Accountants 295
Institute of Actuaries ..... 295
,, Bankers ..... 295
,, Certificated Grocers ..... 295
,, Municipal Treasurers.... 295
,, Secretaries ..... 295
Institution of Certified Accts. ..... 295
Instructions to Candidates..... 295-304
,, for Examinations.... 295-304
,, to Students ..... 8, 300-4
,, to Teachers ..... 7
Instrument ..... 919
Insurable Interest ..... 556
Insurance A/cs. ..... 556-65
,, & Income Tax 372-3, 386, 558
,, Fund ..... 519
,, Premium A/c. ..... 107
,, Sinking Fund ..... 421
Insurance Prepaid ..... 199, 273
Interest ..... 62, 75, 83, 217
,, A/c. ..... 63, 64, 107, 217
,, in Red Ink ..... 886
,, on Capital ..... 62, 76, 254
,, on Debentures ..... 420
,, and Partner's Tax ..... 383-4
,, paid out of Capital ..... 447-8

PAGE

Interest on Withdrawals .....71, 254 6
„ Warrant ..... 913
„ on Calls ..... 440-1
Interim Dividend ..... 447, 914
Intestate ..... 862
Investments ..... 77-8, 280
Invoice ..... 87, 89, 99, 113, 919
„ Additional ..... 98, 103
„ Book ..... 87, 89
Invoice Consular ..... 907
„ Loco Shipping ..... 881
„ Pro forma ..... 188, 919
Irish Notes and Cheques ..... 60
Ironworks Cost Sheet ..... 550-1
Irredeemable Debentures ..... 420
Isle of Man B/E. ..... 155
Issued Capital ..... 418
Issue of Shares and Debentures ... 420
„ Department, B. of England ... 894

Jettison ..... 920
Jewellers' A/cs. ..... 817
Joint Adventure A/c. ..... 197
Joint Creditors in Bankruptcy ..... 537
Joint and Several Liability..... 920
Joint Stock Company ..... 412
Journal, Theoretical .....4, 33, 37
„ in Practical Work 79, 94, 95, 115
„ of Model Exercise ..... 450-3
Journalising ..... 34, 35, 37, 302
„ Adjustments ..... 288
„ Combinations in ..... 60
„ Errors in ..... 283
Judgment Debtor and Creditor ..... 912

Keelage ..... 912
Keys to Exam. Papers ..... 7, 298-9
Kites (Accommodation Bills) ... 531, 898

Labour in Cost A/cs. ..... 548-51
Lac or Lakh ..... 935
Ladies' Outfitter, Sales ..... 571
Lancashire and Cheshire Union 225, 299
Landlord's Royalty A/c. ..... 543-6
Landlord's Tax, Sch. A. ..... 345-8
Land Tax ..... 920
„ Values Duty ..... 920-1
Larceny ..... 915
Lay Days ..... 912
Latin Union ..... 927
Laundry Customers' Ledger ..... 586
Lease ..... 543, 921
Leather Trade Purchases ..... 570
Ledger ..... 13, 33, 79, 284-92
„ A/cs., Classes of ..... 14
„ Bankers ..... 284
„ Bills Receivable ..... 182
„ Blind Entry ..... 284
„ Cost ..... 550
„ Departmental ..... 284
„ General ..... 284-91
„ Hotel Visitors ..... 588
„ Impersonal ..... 284-91
„ Indexes ..... 292
„ Numerical Card ..... 883
Opening New ..... 292
„ Perpetual ..... 292
„ Private ..... 284

PAGE

Ledger Purchases ..... 284-91
„ Sales ..... 284-91
„ Self-Balancing ..... 285, 585
„ Share ..... 411, 458-61
Legacy ..... 862, 922
Legacy Duty ..... 866
Legal Tender ..... 926
Legibility and Neatness ..... 8
Lessor and Lessee ..... 543-6
Letter enclosing Draft ..... 157
„ of Allotment ..... 427, 437
„ of Application ..... 426, 437
„ of Hypothecation ..... 900, 917
„ of Indemnity ..... 904
„ of Indication ..... 905
„ of Lien ..... 923
Letters of Administration 442, 863, 887
„ of Credit ..... 922
„ of Regret ..... 427, 437
Liabilities 28, 29, 45, 276-82, 523, 528, 922
Lien ..... 923
Lien on Shares ..... 780
Life Annuities ..... 889
Life Insurance Co.'s A/cs. ..... 556-65
Life Insurance & Income Tax... 341, 386
Life Tenant ..... 861
Lighting Co.'s A/cs. ..... 508-13, 518-9
Limit of Insurance Risk ..... 507
Limited Company ..... 412-7
Limited Partnership ..... 251-3, 415
Liquidated Damages ..... 923
Liquidation ..... 261, 923
Liquidation A/c. ..... 261-5
Liquid Assets ..... 277
Literary Royalties & Tax ..... 389
Loan on Policy ..... 559
Loans ..... 217-8, 419
Local Examinations ..... 296
Loco Invoice ..... 881, 940
"Lombard Street" ..... 927
London Association of Accts. Ltd... 295
London Chamber of Commerce 232, 298-9
London Gazette ..... 249, 916
Long Bill of Exchange ..... 899
Lloyd's Bonds ..... 924
Lloyd's Register ..... 924
Loose Ledgers ..... 292
"Loss" and Losses...11, 19, 24, 35, 40
Lost B/E. ..... 161

Machinery & Income Tax 364-5, 369, 380-1
Management Shares ..... 419
Manifest ..... 924
Manufacturing A/cs. ..... 272-6
Manufacturing Chemist, Purchases 582
Manuscript Exercise Books ..... 8
Margin ..... 493
Margin on Security ..... 217
Marine Assurance Co.'s A/cs. ..... 556
Marked Cheque ..... 53
Market Price ..... 19, 77
Married Women & Income Tax...376-7
Marshalling Assets ..... 277, 867
Materials Consumed ..... 272, 549
Maturity ..... 159, 160, 168
Measure of Damages ..... 175

PAGE

Meeting of Creditors ..... 524
Meeting of Shareholders ..... 427, 786-7
Members, Register of ..... 427-8
Memorandum of Association 417, 777-8
Mercantile Agencies ..... 916
Mercantile Terms ..... 885-944
Midland Counties Union ..... 300
Mineral Rights Duty ..... 921
Mineral Water Trade Purchases... 575
Minimum Balance ..... 50
Minimum Rent ..... 543-6
Mining Companies, Cornwall ..... 909
Mining Royalties ..... 272, 389, 543-6
Mint Par ..... 169
Minute Book ..... 427, 924
Misconduct of Bankrupt ..... 527
Misdemeanour ..... 525, 924
Model Exercise on Company A/cs. 432-69
Models ..... 912
Money ..... 878-9, 924
Money Market ..... 927
Money Order ..... 44
Moneys of Account ..... 926
Mono-Metallism ..... 926
Moratorium ..... 927
Mortgage Debentures ..... 419-20
Mortgages ..... 216, 419-20, 428
Mortgages, Register of ..... 428, 463
Motor & Cycle Dealer ..... 582
Multiple Costs ..... 549
Music Dealer's Sales Book ..... 583
Mutilated Cheque ..... 57
Mutual Insurance Co. ..... 556-7

Naked Debenture ..... 927
Name Day ..... 885
Narration ..... 34
National Ass. of Local Gov. Officers 295
National Insurance and Wages ... 294
National Union of Teachers ... 147, 299
Neatness ..... 8
Negotiable Document ..... 154, 162, 927
Negotiating a Loan ..... 278
Negotiation of Bills ..... 154, 172, 897
" Cheques ..... 54
Net Cash ..... 940
Net Profit ..... 25, 41, 273
Net Revenue A/c. ..... 505, 510, 513
Net Weight ..... 946
Nominal A/cs. ..... 14, 15, 23
Nominal Capital ..... 418
North Eeastern Railway A/cs. ... 504-7
Non-cumulative Pref. Shares ..... 419
Notary Public ..... 174
Notice of Appeal, Income Tax ..... 378
Notice of Assignment of Policy ..... 559
Notice of Dishonour ..... 176
Notice of Dividend ..... 913-4
Notice to Quit ..... 933
Notice of Companies ..... 793-4
Noting a Bill and Ticket ..... 175, 899
Not Negotiable ..... 57, 897
Noughts ..... 8
" N/S." ..... 53
Numerical Card Ledger ..... 883

Oath ..... 888
Official Receiver ..... 524
Omissions ..... 98, 205

PAGE

Oncost ..... 550
One-Man Company ..... 414
On Sale or Return ..... 209-10
Open A/c. ..... 886
Open Cheque ..... 55
Opening Entries ..... 45, 65, 94, 95, 115
Operating Cost ..... 549
Order Book and Sheets ..... 89
Order of Discharge ..... 525
Ordinary Shares ..... 418
Original Entry ..... 13, 37, 79, 284
" Other Deposits " ..... 896
" Other Securities " ..... 896
Outfitters' A/cs. ..... 810, 821, 826-7
Outfitters' Sales Books ..... 571
Output Costs ..... 548
Outstanding Expenses ..... 191
Overcharges ..... 98
Overdraft ..... 51, 63, 217-8
Overhead Cost ..... 550
Overtrading ..... 278
Oxford Local Examination ..... 296

Packing Materials ..... 272
Paid-up Capital ..... 418
Painting of Buildings ..... 75
Paper Money ..... 926
Par ..... 169, 420, 928
Pars of Exchange ..... 168, 878
Participating Pref. Shares ..... 419
Particular Average ..... 891
Particular Lien ..... 923
Partners' Drawings and Salaries 70, 254
Partners and Income Tax 356-63, 376, 383
Partnership ..... 69-72, 247-66
,, Accounts ..... 249-51, 253-8
,, Act, 1890 ..... 247, 249-51
,, Act, 1907 ..... 251-3
,, Articles of ..... 69, 247
,, Assets ..... 250-1, 256-266
,, Balance Sheet ... 72, 257-266
,, Bankruptcy 69, 248, 529, 536-7
,, Books ..... 250
,, Capital ..... 249
,, Capital A/cs. ..... 70-1
,, Contribution ..... 249
,, Current A/c. ..... 70, 254-6
,, Death ..... 69, 248, 260
,, Debts ..... 248
,, Deficiency of Capital... 263-5
,, Dissolut'n of 69, 248, 253, 259
,, Drawings A/c. ... 70-1, 254-6
,, Firm name ..... 247, 259
,, *Garner v. Murray* 263-5
,, Gazette Notice ..... 249
,, General Partners 70, 251-3
,, Goodwill ..... 256-8
,, Holding Out ..... 917
,, Income Tax ..... 376-84
,, Insurance ..... 260, 558
,, Interest ..... 71, 250, 254-5
,, Limited ..... 70, 251-3
,, Liquidation ..... 261-5
,, Losses ..... 249, 250
,, Management ..... 250
,, New Partner ..... 253, 257

PAGE

Partnership, Number of Partners 412-3
,, Object of ..... 69, 247
,, Premium ..... 257-260
,, Profits ..... 249-51
,, Profit & Loss A/c. 70, 261-6
,, Purchase of Business ... 257
,, Realisation ..... 261-5
,, Registered ..... 252
,, Retiring Partner ..... 248-9
,, Salaries ..... 70, 250-4
,, Working Capital ..... 257
Pass Book ..... 51, 59, 63, 83
Patent ..... 928
Patent Royalties & Tax ..... 388-9
Pawn ..... 917, 928
Pay Day ..... 885
Payee ..... 52
Paying-in-Slip ..... 59
Payment for Honour ..... 898
Pepper Corn Rent ..... 934
Percentage ..... 929
Permanent Assets ..... 516
Permit ..... 194
Perpetual Ledger ..... 292
Per pro. ..... 888
Personal A/cs. ..... 14, 21, 28, 31, 43
,, Estate ..... 861, 932
,, Expenses ..... 27
Petition in Bankruptcy ..... 552
Petty Cash and P.C. Book 67, 580, 877
Pig Iron Cost Sheet ..... 551
Plant & Income Tax ..... 368-9, 364-5
Pledge ..... 928
Political Club A/cs. ..... 501
Postal Order ..... 44
Policy of Insurance ..... 556-9
Post-dating ..... 55, 929
Posting ..... 37, 38, 60, 81, 93
Posting Bought Book ..... 87
,, Sales Book ..... 89
,, Cash Book ..... 81
,, Bank Columns ..... 83
,, Dis. Columns ..... 85
,, B/R. Book ..... 180
,, B/P. Book ..... 181
,, Returns Books ..... 101-2
,, Tabular Books ..... 93
,, Errors in ..... 284
Poundage ..... 44
Power of Attorney ..... 929
Powers of Directors ..... 789
Practical Book-keeping ..... 6-7, 79, 113
Preference Shares ..... 418
Preferential Claim ..... 533, 929
Preliminary Expenses ..... 436-7
Premises A/c. ..... 118
Premium ..... 420-1, 926, 930
,, Debenture at a ..... 420
,, Foreign Exchange ..... 169
,, Gold ..... 926
,, Insurance ..... 556-9
,, Partnership ..... 257-60
,, Shares at a ..... 420, 470
,, on Shares A/c. ..... 436
Prepaid Items in P. & L. A/c. ... 197
Presenting Cheques or B/E. ... 53, 160
Price ..... 548-51, 925
Prices Current and Price List..... 930
Primage ..... 930

PAGE

Prime Cost ..... 549
Principal ..... 217, 930
Principal Security ..... 216-8
Printer's Cost Sheet ..... 553
Printing Trade Purchases ..... 584
Private Company ..... 414-5
,, Expenses ..... 70-1
Private Ledger ..... 284
Probate of Will ..... 442, 864
Process Costs ..... 549
Procuration ..... 888
Production A/c. ..... 246
Production Expenses ..... 272
Productive Wages ..... 293
Profit & Loss A/cs. 24-6, 40-3, 70, 108, 122, 273-5, 303
,, Alkali Co. ..... 820
,, Amusement Co. ..... 844
,, Assurance Co. ..... 560-4
,, Banking Co. ..... 282, 837
,, Branch ..... 600-5
,, Brewery Co. ..... 842
,, Butter Dealer ..... 814
,, Caterers ..... 808, 825, 840
,, Chemist & Druggist ..... 841
,, Chemical Manufacturers ..... 820
,, Cotton Spinning Co. ..... 798
,, Cycle Manufacturer ..... 812
,, Departmental ..... 569
,, Engineering Co. ..... 802
,, Exploration Co. ..... 847
,, Fireclay Co. ..... 819
,, General Dealers ..... 826
,, Gold Mining ..... 799, 850-5
,, Gold & Silversmiths ..... 817
,, Hotel Co. ..... 592-3, 829
,, Insurance Co. ..... 560-4
,, Jewellers ..... 817
,, Manufacturing A/c. ..... 272-5
,, Mining ..... 799, 846-57
,, Newspaper Co. ..... 246
,, "Nicotine, Limited" ..... 468
,, Outfitters ..... 820, 826
,, Partnership ..... 70, 266, 306
,, Provision Dealer ..... 808-9
,, Publishing Co. ..... 839
,, Reserve for Discount ..... 201-3
,, ,, Doubtful Debts... 200-3
,, Restaurant Co. ..... 825, 840
,, Sewing Cotton ..... 805-7
,, Shipping Co. ..... 802-5, 832
,, Soap Manufacturer ..... 816
,, Tea Dealers ..... 814, 815, 818
,, Tobacco Merchant ..... 815, 836
Profits and Dividends ..... 446-9
Profits prior to Incorporation ..... 930
Pro-forma Invoice ..... 188, 919
Promissory Note ..... 161-5, 809
Prompt Cash ..... 940
Proof of Accuracy ..... 41
Proof of Debt ..... 529
Promoter ..... 930
Property ..... 861, 931
Property of Bankrupt ..... 533
Property A/cs. ..... 14, 75
Property Tax Sch. A. ..... 345-8
Proprietary Accounts ..... 15, 23, 105-6-8
Proprietors' Capital 26, 27, 28, 36, 106-8, 276

PAGE

Proprietary Insurance Co. ..... 555
Prospectus ..... 425-6
Protest of a Bill ..... 175, 899
Protest as to a Ship ..... 924
Provision Merchants' Purchases..... 573
Provision Merchants A/cs. .....808, 814
Proxy ..... 788, 931
Public Auditors ..... 886
Public Companies ..... 412-7
Public Deposits ..... 895
Public Examination of Bankrupt ... 524
Public Trustee ..... 941
Published Accounts ..... 795-860
Publisher and Booksellers A/cs. 584, 838-9
Purchase A/c. ..... 436, 463
Purchase of Business ..... 73, 256-9, 435
Purchases A/c. ..... 103-4, 119
Purchases Day Book ..... 87-8, 116
Purchases for Cash ..... 87, 90
Purchases Returns ..... 100-2
Purchases Books, Tabular ..... 91-3, 567
" Chemist and Druggist ... 582
" Cloth Merchant ..... 572
" Cocoa and Coffee ..... 573
" Drapery & Dressmaking... 572
" Estate ..... 578
" Fish Merchant & Curer ... 581
" Grain, Flour, Hay & Seed 575
" Grocery ..... 573
" Hay and Straw Merchant 575
" Hotels ..... 587
" Leather Trade ..... 570
" Ledger ..... 284-91
" Mineral Waters ..... 575
" Printing Trade ..... 584
" Provision Merchant ..... 573
" Steam Fishing Trade ..... 581
" Tanner ..... 570
" Tea & Coffee ..... 573
" Tobacco Merchant ..... 567-8
" Wine & Spirits ..... 574

Quarter-days ..... 931
Quid pro quo ..... 931
Quorum ..... 931
Quit Rent ..... 935

Rack Rent ..... 934
Railway A/cs. ..... 504-7, 517
Ranking Assets ..... 277
Rate of Discount ..... 174
" Exchange ..... 170-1
Rates of Depreciation ..... 77
Rates & Taxes A/c. ..... 107
Rates & Taxes due by Bankrupt... 533
Real A/cs. ..... 14, 28
Real Estate ..... 861, 932
Real Tare ..... 940
Realisation A/cs. ..... 261-6
Realisation Statement ..... 525-6
Re-assurance ..... 557
Rebate ..... 179-80, 932
Receipt ..... 932-3
Receipts and Payments A/c. ..... 497
Receiving Order ..... 524-5
Reconciliation Statement 80, 81, 83, 933
Reconstruction of Company ..... 474-83

PAGE

Recourse ..... 176
Redeemable Dead Rents ..... 543-6
" Debentures ..... 420
Red Ink Interest ..... 886
Red Ink Lines ..... 8, 34, 36, 91, 304
Reduction of Capital ..... 272-3
Referee of respectability ..... 51
" Refer to Drawer " ..... 53, 174-5
Refusal ..... 915
Registered Capital ..... 418
Registered Office ..... 417, 933
Register of Mortgages ..... 428, 463
Register of Shares ..... 427-8, 448, 454
Registers of Application, &c. ..... 427-65
Registration Agents ..... 431
Registration of a Company ... 413, 416
Registration Fee ..... 442
Release of Trustee ..... 525
Remittance ..... 933
Remittance of Income Tax ..... 378
Renewal Notice ..... 558
" Premium ..... 558
Rendu ..... 940
Renewed Bills ..... 177
Rent ..... 75, 532, 543-6, 933
Rent Charge ..... 934
Repairs ..... 75, 346, 368
Replevin ..... 913
Repayment of Income Tax ..... 389-91
Report of Auditors ..... 793-5, 886
Reserves and Reserve Fund 493-6, 792
Reserve Fund A/c. ..... 494-5, 519
Reserve for Discount ..... 201-3
" Doubtful Debts ... 199, 200
Residuary Legatee ..... 862
Residuary Devisee ..... 863
Respondentia ..... 903
Rest ..... 254, 493
Restaurant A/cs. ..... 804, 824-5, 840
Restrictive Endorsement ..... 897
Retiring B/P. ..... 179
Return for Assessment ..... 355, 360-3
Returns and Allowances ..... 98
Returns Book, Inward 100-1, 116, 119
" Book, Outwards 102-3, 116, 119
Revenue ..... 444, 516-7
" A/cs. ..... 444
" Electric Lighting Co.... 511-3
" Gas Co. ..... 508-10
" Insurance Co. ..... 560-4
" Investment ..... 78
" Railway Co. ..... 504-7
" Shipping Co. ..... 832
" Waterworks Co. .....514
" Expenditure ..... 444-5, 516-8
" Assets ..... 516
Reversion ..... 931
Reversion Duty ..... 921
Risk in Insurance ..... 555
Roads Improvement Ass. A/cs. ..... 500
Rotation of Directors ..... 790
Royalties ..... 388-9, 543-6
Royal Society of Arts ... 137, 239, 296-8
Ruling Lines ..... 8, 34, 36, 91
Rulings for Tabular Books ...93, 570-88
Rupee ..... 935

Salaries of Partners ..... 70, 254
Salary Tax, Sch. E. .....353-4

PAGE

Sale ..... 925
„ of Goods Act, 1893 ..... 935
Sale or Return ..... 209-10
Sales A/c. ..... 101-4, 119, 274
„ Adjustment A/c. ..... 286-7
„ on Commission ..... 209
„ Day Book ..... 79, 89, 90, 116
„ Ledger Trial Balance ..... 291
„ Returns ..... 100
„ Book Summarised ..... 92
„ Book, Tabular ..... 91-3, 567
„ Book, Alphabetical ..... 585
„ Bookseller & Stationer ..... 583
„ Brick Merchant ..... 93
„ Coal Merchant ..... 93, 570
„ Cycle Dealer ..... 582
„ Dairy Trade ..... 576
„ District ..... 585
„ Estate ..... 578
„ Farming ..... 576
„ Gentlemen's Outfitter ..... 571
„ Ladies' Outfitter ..... 571
„ Laundry Customers ..... 586
„ Lime Merchant ..... 93, 570
„ Motor & Cycle Dealer ..... 582
„ Music Dealer ..... 583
„ Outfitter ..... 571
„ Publisher & Bookseller ..... 584
„ Self-Balancing ..... 285-91, 585
„ Tobacco Merchant ..... 567
„ Wine & Spirits ..... 570
„ Ledger ..... 284-91
„ for Cash ..... 46, 79
Salvage ..... 935
Sanitary Pipe Makers A/cs. ..... 819
" Sans Recours " ..... 896
Schedules for Income Tax ..... 345-55
Scotch Notes and Cheques ..... 60
Scratching out ..... 9
Scrip ..... 936
Seal of Company ..... 790, 936
Secret Reserve ..... 496
Secretary ..... 936
Secretaries' Association, Ltd. ..... 295
Secretaries, Institute of ..... 295
Sectional Ledgers ..... 285
Secured Creditors ..... 529
Securities ..... 216-8, 937
Seed Merchant ..... 575
Self-Balancing Ledgers ..... 285-91, 585
„ Sales Book ..... 585
Selling Price ..... 548-50, 930
Sequestration ..... 938
Set-off ..... 938
Settling Days ..... 885
Seven-day Bills ..... 896
Sewing Cotton A/cs. ..... 805-7
Share Capital ..... 418, 462, 785
„ Certificate ..... 443, 780, 904
Shareholders' Address Book ..... 431
„ Death ..... 442, 782
„ Meetings ..... 427, 786
Share Ledger ... 427-8, 437, 448, 454-61
„ Register ..... 427-8, 437, 454-61
„ Warrants ..... 784
Shares ..... 418-9, 779
Sheets for working Exercises ..... 303
Ship A/c. ..... 78
Shipping A/cs. ..... 802, 832

PAGE

Shipping Invoice ..... 881
Ships and Income Tax ..... 370
Short Bill and Exchange ..... 899
Short Workings ..... 543-6
Sight Value ..... 921
Signatories ..... 416, 778
Silversmiths' A/cs. ..... 817
Silver Standard ..... 925
Simple Contract ..... 907
Single A/c. System ..... 516
Single Entry ..... 31, 220-5
Single Costs ..... 548
Sinking Fund ..... 421-5
Sleeping Rent ..... 543
Sliding Scale of Gas Co.'s ..... 518
Slip System ..... 59, 89, 113
Slump ..... 903
Soap Manufacturers' A/cs. 811, 816, 823
Society of Arts ..... 137, 239, 296-8
Society of Incorporated Accountants 295
Sola, B/E. ..... 899
Sole Trader ..... 253
Solicitor & Bankrupt ..... 530
Solvent ..... 29, 918
Special Acts of Parliament ..... 516-9
Special Endorsement ..... 896
Specialty Debt ..... 908
Specie ..... 925
„ Point ..... 169
Spinning Co.'s A/cs. ..... 798
Spirit & Wine Merchant ..... 574
Stable Expenses A/c. ..... 106
Stale Cheque ..... 57
Stamp Duty ..... 156, 166, 938
Standard Money ..... 925
„ of Value ..... 925
Standing Expenses ..... 273
Statement of Account ..... 937
„ of Affairs ..... 221-2, 523-36
„ for Income Tax ..... 357-66
„ in lieu of Prospectus ... 426
Stationer & Bookseller ..... 583
Stationery A/c. ..... 119
Statistical Books ..... 427-31
Statute Barred ..... 66, 938
Statutes of Limitations ..... 934, 938
Statutory Books ..... 427-8
„ Income ..... 344-8
„ Meeting of Comp'y ..... 427
„ Report ..... 796-7
Steam Fishing Trade ..... 581
Steam Shipping A/cs. ..... 802, 832-3
Sterling ..... 926
Stock A/c. ..... 104, 118, 598
„ Book ..... 293
„ Issued Book ..... 595-6
„ of Goods ..... 19, 40, 272, 303
Stockholders' Tax, Sch C. ..... 353
Stock-taking ..... 19, 39
Stock ..... 420, 939
„ and Shares, A/cs. of ..... 77
Stoppage in Transitu ..... 939
Students' Instructions ..... 8, 295-304
Style in Work ..... 301
Subrogation ..... 939
Subscribed Capital ..... 418
Subscribers to Memorandum ... 417, 778
Subscriptions A/c. ..... 245
Success at Examinations ..... 300-4
Succession Duty ..... 866

PAGE

Subsidiary Books ..... 33
,, P. & L. A/cs. ..... 24
"Sundries" ..... 61, 94
Supercargo ..... 924
Super Tare ..... 940
Super Tax ..... 344-5
Supra Protest ..... 899
Surety ..... 939
Surface Damages ..... 272
Surplus ..... 26, 29, 493, 537
Surrender Value of Policy ..... 559
Surveyors' Institution ..... 295
Suspense A/c. ..... 191, 197
Syllabuses in Book-keeping ... 6, 295-304

Table A ..... 417, 493, 779-94
Table of Usance ..... 880
Tabular Books ..... 91-3, 302, 566-87
,, Branches ..... 594-606
,, Cash Book ..... 84-6
,, Cash, Self-Balancing 289, 290
,, Cost Books ..... 551-5
,, Departmental Tradg. A/c. 569
,, Expenses Journal ..... 601
,, Stock A/c. of Branch ..... 598
,, Stock Issued ..... 595
Tale Quale ..... 939
Tanning Trade Purchases ..... 570
Tare ..... 939
Tariff ..... 194, 918
Teachers' Diplomas ..... 296-8
Teachers' Instructions ..... 6-7
Tea and Coffee Merchant ..... 573, 818
Telegraphic Transfers ..... 909
Teller ..... 59
Tenancy ..... 933-4
Tentail ..... 543
Terminable Annuities ..... 889
Terminal Costs ..... 548
Terms as to Price and Payment ...940
Terms of Issue of Shares ..... 420
Testamentary Expenses A/c. ..... 869
Theoretical Book-keeping ..... 31
Time Charter Party ..... 905
"To" ..... 16, 28, 34
Tobacco Trade A/cs. ... 567-8, 815, 834-6
Token Money ..... 925
Torn Cheque ..... 57
Totals ..... 9
Trade ..... 907
Trade Bill ..... 898
Trade Discount .....63, 272-3
Trade Expenses A/c. ..... 46, 107
Trade Mark ..... 941
Trading A/cs. 17, 105, 116, 122, 272-9, 304-6
,, Branch ..... 599, 605
,, Cloth Manufacturer ..... 274
,, Departmental ..... 567-9
,, Income Tax ..... 358-9
,, "Nicotine, Limited" ..... 468
Trading Capital ... 26, 27, 28, 36, 276-9
Trading Certificate ..... 906
Tramway A/cs. ..... 518
Transactions ..... 11, 32
Transfer of Shares ..... 441-3, 781, 941
Transferor and Transferee ..... 897
Tret ..... 940

PAGE

Trial Bal. ... 38-9, 97, 121, 204-7, 289, 464, 858
True Discount ..... 941
Trust and Trustee ... 525, 530, 863, 941
Turnover ..... 566, 942

Ullage ..... 942
Ultra Vires ..... 942
Umpire ..... 890
Unclaimed Dividends ..... 448, 913
Undated Cheque ..... 55
,, Bills ..... 155
Undercharges ..... 103
Underwriter ..... 942
Undeveloped Land Duty ..... 921
Undischarged Bankrupt ..... 527
Unearned Income ..... 376
Union of Educational Institutions 300
Unissued Capital ..... 418
University Exams. ..... 295-6
Unlimited Company ..... 412-3
Unpaid Expenses, &c. ..... 197
Unpresented Cheques ..... 83
Unsecured Creditors ..... 529
Unstamped Cheque ..... 52
Usance ..... 880, 899
Usury ..... 943

Valuation Balance Sheet ..... 560, 564
Value ..... 11, 925
"Value received" ..... 157
Vendor's A/c. ..... 436
Vendue ..... 943
Via ..... 166, 899
Visitors' Charges Books ..... 586-91
Votes of Members of Company ..... 788
Voucher ..... 85, 390, 932
Vowel Index ..... 292, 882-3
Voyage A/c. ..... 78
Voyage Charter Party ..... 905

Wages ..... 75, 198, 293
,, A/c. ..... 75, 106, 119, 198
,, Book ..... 294
,, due from Bankrupt ..... 533
Warrant, Dividend ..... 913-4
,, Dock ..... 914
,, Interest ..... 913
,, Share ..... 784
,, Warehouse ..... 943
Warranty ..... 943
Warehouse Book ..... 293
Warehousing ..... 943
War Services and Income Tax ..... 385
Waste ..... 940
,, Book ..... 12, 33
Wasting Assets ..... 76, 422, 891
Watering Stock ..... 943
Water Co.'s A/cs. ..... 514-5, 520
Wayleaves ..... 943
Wear and Tear ..... 76, 357-66
,, Additions to Plant ..... 369
,, Adjustment A/c. ..... 359
Wear and Tear Claims for ..... 357-66
,, Diminishing Value ..... 369
,, District Allowances... 364-5, 369-70
,, Rates Allowed ..... 364-5
,, Ships ..... 370

| | PAGE |
|---|---|
| Weekly Averages | 798 |
| Weekly Cash Sheet of Branch | 597 |
| Weekly Wages and Income Tax | 354 |
| Weight, Gross and Net | 939 |
| Welsh Board | 296 |
| West Riding C.C. Exams | 299 |
| Will | 861 |
| Winding-up | 261, 474, 943 |
| Window Dressing | 944 |
| Wine and Spirit Merchant | 574 |
| Withdrawals of Partners | 71 |
| Without grace | 159 |
| Without prejudice | 944 |
| Working Capital | 73, 257, 277, 418 |
| Working Costs | 549 |
| Working Expenses | 273 |
| Writ | 887 |
| Write-off | 76 |
| Year's Purchase | 944 |
| Yield | 944 |
| Zollverein | 944 |



# TRADING, Profit & Loss A/cs.,

AND

# BALANCE SHEETS, &c.,

## For the use of Advanced Classes and Business Purposes,

printed and ruled in skeleton form, to facilitate the working and drafting of advanced exercises; consisting of three neatly arranged foolscap sheets. They give at a glance the method of setting out the various items, and thus save the student from having to make many references to his textbook, as well as from much laborious reading; they are, in fact, a concise and handy exposition of modern practice in regard to the preparation of Trading, P. & L. A/cs. and B/S.

**SHEET 1.**—Combined Trading, P. & L., three Capital A/cs. and B/S. for the PRIVATE TRADER or firm.

**SHEET 2.**—Trading, P. & L. A/cs. in sections, Appropriation A/c. and B/S. for the accounts of a LIMITED COMPANY.

**SHEET 3.**—STATEMENT OF AFFAIRS and DEFICIENCY A/C. in Bankruptcy matters in official order, similar to those in actual use.

It is advisable that the time of advanced students be reserved as much as possible to the solution of problems and the study of principles, rather than the drudgery of writing.

Specimens of the three sheets, 1/1 POST FREE, may only be had from **Arthur Fieldhouse, P.O, Box A. 27, Huddersfield.** Terms for quantities on application.

# INDEX OF TABULAR BOOKS and PUBLISHED ACCOUNTS.


| | PAGES |
|---|---|
| Accountants' Society, Income and Expenditure A/c., B/S. ... | 499 |
| Alkali Manufacturer, Profit & Loss A/c. and Balance Sheet .. | 820 |
| Amusement Co., Profit & Loss A/c. and Balance Sheet ..... | 844-5 |
| Assurance Co., Revenue and Profit & Loss A/cs. and B/S. ... | 560-5 |
| Banking, Profit & Loss A/c. and Balance Sheet.....282, 837, 894 | |
| Bookseller & Publisher, Sales Book and Ledger ..... | 584 |
| Bookseller and Stationer, Sales Book ..... | 583 |
| Boot Manufacturers, Balance Sheet..... | 811 |
| Brewers, Profit & Loss A/c. and Balance Sheet..... | 842-3 |
| Brick Manufacturer, Sales Book 93, Cost Sheet 551, B/S. .... | 819 |
| Butter & Egg Dealer, Sales Book 576, P. & L. A/c. and B/S... | 814 |
| Carpet Manufacturers, Balance Sheet ..... | 822 |
| Caterers, Balance Sheet 804, Profit & Loss A/c., B/S. .....824-5, 840 | |
| Chemical Manufacturers, Purchases Book 562, Profit & Loss A/c. and Balance Sheet ..... | 820 |
| Chemist & Druggist, Purchases Book 582, Profit & Loss A/c. and Balance Sheet ..... | 841 |
| Cloth Manufacturers, Trading and Profit & Loss A/c. 249-50, Balance Sheet 255, 822, Cost Book ..... | 552 |
| Cloth Merchant, Purchases Book ..... | 572 |
| Coal Merchant, Sales Book ..... | 93, 570 |
| Coal Mining, Capital A/c. and Balance Sheet..... | 503 |
| Colliery Co. B/S. and Appropriation A/c..... | 819 |
| Coffee & Tea Merchant, Purchases Book ..... | 573 |
| Cotton Report, Trading, Profit & Loss A/c. and Bal. Sheet ... | 805-7 |
| Cycle Dealer, Sales Book ..... | 582 |
| Cycle Manufacturers, Profit & Loss A/c. and Balance Sheet .. | 812-3 |
| Dairy Co., Sales Book ..... | 576 |
| Draper and Dressmaker, Purchases Book..... | 572 |
| Egg & Butter Dealer, Sales Book 576, Profit & Loss A/c. and Balance Sheet ..... | 814 |
| Electrical Engineer, Cost Book..... | 555 |
| Electric Lighting Co., Revenue & Capital A/cs. and B/S. ..... | 511-3 |
| Engineering Cost Card 554, P. & L. A/cs. and Balance Sheets .....281, 623, 749, 802-3 | |
| Estate Purchases, Sales, Rent & Wages Books ..... | 578-80 |
| Exploration Co., P. & L. A/c., Appropriation A/c., B/S. ..... | 846-7 |
| Farming, Sales Book ..... | 576-7 |
| Fishing Co., Purchases Book..... | 581 |
| Fish Merchant & Curer, Purchases Book ..... | 581 |
| Gas Co., Revenue and Capital A/cs. and Balance Sheet ..... | 508-10 |
| General Providers, Profit & Loss A/c. and Balance Sheet .... | 826-7 |
| Gentlemen's Outfitter, Sales Book ..... | 571 |

INDEX OF TABULAR BOOKS, *&c.—Continued.*


PAGES

Gold Mining, Working and Profit & Loss A/cs., Appropriation A/c. and Balance Sheet ..... 799-801, 848-57
Grain, Flour, Hay & Seed Merchant, Purchases Book ..... 575
Grocery, Purchases Book 573, P. & L. A/c. and B/S. 808-9, 814, 826-7
Hotel Proprietors, Profit & Loss A/c. and B/S. ..... 592-3, 829-31
" " Visitors' Charges Book 586; Cash Book, Purchases Book 587; Visitors' Ledger ..... 588
Insurance Co., Revenue, P. & L. A/cs., and Balance Sheet.... 560-5
Iron Smelting, Cost Sheet ..... 551
Jewellers, Profit & Loss A/c., Appropriation A/c. and B/S. ... 817
Ladies' Outfitter, Sales Book ..... 571
Laundry Customers' Ledger ..... 586
Leather Manufacturer, Purchases Book ..... 570
Lighting Co., Revenue and Capital A/cs. and Balance Sheet .. 508-13
Lime Merchant, Sales Book ..... 93, 570
Mineral Water Manufacturer, Purchases Book ..... 575
Motor & Cycle Dealer, Sales Book ..... 582
Music Dealer, Sales Book ..... 583
Newspaper Co., Production and P. & L. A/cs. and B/S. ..... 246
Outfitters, Sales Book 571, Stock A/c. 598, P. & L. A/c. and Balance Sheet ..... 810, 821, 826-7
Political Club, Income & Expenditure A/c. ..... 501
Printer, Cost Sheet 553, Purchases Book ..... 584
Professional Society, Income & Expenditure A/cs. ..... 498-9, 502
Provision Dealers, Purchases Book 573, P. & L. A/c. and Balance Sheet ..... 808-9, 814, 826-8
Publisher & Bookseller, Sales Book & Ledger ..... 584
Publishers, Production and Profit & Loss A/cs. and B/S. ...246, 838-9
Railway Co., Revenue & Capital A/cs. and Balance Sheet .... 504-7
Restaurateurs, Balance Sheet 804, P. & L. A/c. and B/S. ..824-5, 840
Sanitary Pipe Co., B/S. and Appropriation A/c. ..... 819
Sewing Cotton, Report, P. & L. A/c. and Balance Sheet ..... 805-7
Shipbuilding, Profit & Loss Account and Balance Sheet ..... 802-3
Shipping, Profit & Loss A/c. and Balance Sheet ..... 832-3
Silversmiths, P. & L. A/c., Appropriation A/c. and B/S. ..... 817
Soap Manufacturers, B/S., 811, P. & L. A/c. and B/S. .....816, 823
Spinning Cotton, Trade, Profit & Loss A/cs. and B/S. ..... 798
Stationer & Bookseller, Sales Book ..... 583
Steam Fishing Co., Purchases Book ..... 581
Tanner, Purchases Book ..... 570
Tea & Coffee Merchant, Purchases Book ..... 573
Tea Dealers, Profit & Loss A/c. and Balance Sheet ..... 818
Tobacco Manufacturers, Trading and P. & L. A/cs., Appropriation A/c., Balance Sheet 468-9 ..... 834-6
Tobacconists, Purchases and Sales Books 567, P. & L. A/c. and Balance Sheet ..... 815
Waterworks Co., Revenue and Capital A/cs. and B/S. ..... 514-5
Wine & Spirit Merchant, Sales Book ..... 574

# INDEX OF PUBLISHED ACCOUNTS, Etc.


| | PAGES |
|---|---|
| Anglo-French Exploration Co., Ltd., Balance Sheet | 846 |
| " " Profit and Loss and Appropriation A/cs. | 847 |
| Associated Gold Mines of Western Australia, Ltd., Mine Working A/c., P. & L. A/c. and B/S. | 799-801 |
| Albert Baker & Co., Ltd., Tobacconists, Balance Sheet and P. & L. A/c. | 815 |
| Bank of England, Balance Sheet | 894-5 |
| Barrett's Brewery & Bottling Co., Ltd., Profit & Loss A/c. | 842 |
| " " Balance Sheet | 843 |
| Blackpool Tower Co., Ltd., Revenue A/c., General Profit & Loss A/c. | 844 |
| " " Balance Sheet | 845 |
| Bristol Society of Chartered Accountants, Income & Expenditure A/c. and Balance Sheet | 499 |
| Castner-Kellner Alkali Co., Ltd., P. & L. A/c., Bal. Sheet | 820 |
| Centaur Cycle Co., Ltd., Profit & Loss A/c. and Bal. Sheet | 812-3 |
| Corporation of Accountants, Ltd., Income & Expend. A/c. | 482 |
| John Crossley & Sons, Ltd., Carpet Manufacturers, B/S. | 822 |
| Crown Mines, Ltd., Gold Mining, Balance Sheet | 848-9 |
| " " Working Expenditure & Revenue A/c. | 850 |
| " " Appropriation A/c. | 851 |
| Cunard Steam Ship Co., Ltd., Revenue A/c., P. & L. A/c., Insurance Fund A/c. | 832 |
| " " Reserve Fund A/c. General Balance Sheet | 833 |
| Davy Bros., Ltd., Engineers, Balance Sheet | 281 |
| Diamantino Rubber Plantations, Ltd., Statutory Report | 797 |
| English Sewing Cotton Co., Ltd., Auditors' Report | 805 |
| " " Balance Sheet and P. & L. A/c. | 806-7 |
| Freeman, Hardy & Willis, Ltd., Boot Manufacturers, Balance Sheet | 811 |
| Furness, Withy & Co., Ltd., Engineers, Balance Sheet | 802-3 |
| A. W. Gamage, Ltd., Outfitters, Balance Sheet | 810 |
| General Accident Fire and Life Assurance Co., Ltd., Profit & Loss A/c. | 560 |
| " " Departmental A/cs. | 561-2 |
| " " Balance Sheet | 563 |
| Goldsmiths & Silversmiths Co., Ltd., Balance Sheet, Profit & Loss A/c., Appropriation A/c. | 817 |
| Hope Brothers, Ltd., Outfitters, Balance Sheet and Profit & Loss A/c. | 821 |
| Hunslet Gas Co., Ltd., Revenue A/c. | 508 |
| " " Receipts & Expenditure on Cap. A/c. | 509 |

INDEX OF PUBLISHED ACCOUNTS, Etc.—*Continued.*


| | PAGES |
|---|---|
| Hunslet Gas Co., Ltd., Profit & Loss A/c. and General B/S. | 510 |
| Imperial Tobacco Co., Ltd., Balance Sheet | 834-5 |
| " " Profit & Loss and Appropriation A/c. | 836 |
| Incorporated Society of Authors, Income & Expenditure A/c. | 502 |
| Leeds Fireclay Co., Ltd., Balance Sheet and Appropriation A/c. | 819 |
| Leeds Public Cocoa Houses Co., Ltd., B/S., P. & L. A/c. | 840 |
| Lever Brothers, Ltd., Soap Manufacturers, Balance Sheet | 823 |
| Lipton Ltd., Provision Dealers, Balance Sheet, P. & L. A/c. | 808-9 |
| London City & Midland Bank, Ltd., Balance Sheet and P. & L. A/c. | 837 |
| London County & Westminster Bank, Ltd., Balance Sheet and P. & L. A/c. | 282 |
| J. Lyons & Co., Ltd., Caterers, Balance Sheet, P. & L. A/c. | 824-5 |
| Maypole Dairy Co., Ltd., Butter, Egg & Tea Dealers, Balance Sheet & Profit & Loss A/c. | 814 |
| Mazawattee Tea Co., Ltd., Balance Sheet and P. & L. A/c. | 818 |
| George Newnes, Ltd., Publishers, B/S. and P. & L. A/c. | 839 |
| New Primrose Gold Mining Co., Ltd., Balance Sheet | 854 |
| " " " Profit & Loss A/c. | 855 |
| North Eastern Railway Co., Receipts and Expenditure of Railway Working | 504 |
| " " Revenue A/c. | 507 |
| " " Proposed Appropriation of Net Income | 505 |
| " " Receipts and Expenditure on Capital A/c. | 506 |
| " " General Balance Sheet | 507 |
| Novel Publishing Co., Ltd., Balance Sheet | 838 |
| A. & F. Pears, Ltd., Soap Manufacturers, Balance Sheet and P. & L. A/c. | 816 |
| Political Club, Ltd., Income & Expenditure A/c. and B/S. | 501 |
| Randfontein Deep, Ltd., Gold Mining, Balance Sheet | 856-7 |
| Ripon Electric Lighting Co., Ltd., Revenue A/c. | 511 |
| " Receipts and Expenditure on Capital A/c. | 512 |
| " Net Revenue A/c. and B/S. | 513 |
| Roads Improvement Association, Income & Expenditure A/c. | 500 |
| Savoy Hotel, Ltd., Profit & Loss A/c. | 829 |
| " " Balance Sheet | 830-1 |
| Taylors' Drug Co., Ltd., Balance Sheet and P. & L. A/c. | 841 |
| Twentieth Century Coal Co., Ltd., Capital A/c. and B/S. | 503 |
| United Kingdom Temperance & General Provident Institution Revenue A/c. | 564 |
| " B/S. | 565 |
| Valley Waterworks Co., Ltd., Revenue A/c. | 514 |
| " Receipts & Expenditure on Capital A/c. and General B/S. | 515 |
| Vegetarian Restaurants Co., Ltd., Balance Sheet | 804 |
| Edwin Walker & Co., Ltd., Cloth Manufacturers, B/S. | 822 |

INDEX OF PUBLISHED ACCOUNTS, Etc.—*Continued.*


| | PAGES |
|---|---|
| Joseph Watson & Sons, Ltd., Soap Manufacturers, B/S. ..... | 811 |
| Westwood Spinning Co., Ltd., Cotton Spinners, Trade A/c., P. & L. A/c. and Balance Sheet ..... | 798 |
| William Whiteley, Ltd., General Providers, P. & L. A/c., B/S., 826-7, Report of the Directors ..... | 828 |
| Witwatersrand Gold Mining Co., Ltd., Balance Sheet ..... | 852 |
| „ Working Expenditure and Revenue A/c., Appropriation A/c. ..... | 853 |


## INDEX TO EXERCISES.


| Exercises. | | Pages. |
|---|---|---|
| 1 to 18a | Ledger A/cs. ..... | 15 to 30 |
| 19 „ 25 | Theory and Journalising..... | 25 „ 74 |
| 26 | Practical Work ..... | 96 |
| 20a & 20b | Practical Work ..... | 46 „ 49 |
| 20 to 25 | Do. ..... | 109 „ 113 |
| 27 „ 32 | Tabular Purchases and Sales Books ..... | 123 „ 135 |
| 34 „ 36 | Bills of Exchange..... | 183 „ 187 |
| 37 „ 43 | Consignments, &c. ..... | 195 „ 216 |
| 44 „ 48 | London Chamber of Commerce, Junior ... | 232 „ 238 |
| 49 „ 52 | Royal Society of Arts, Intermediate ..... | 239 „ 246 |
| 1 „ 13 | Partnership ..... | 266 „ 271 |
| 53 „ 69d | Royal Society of Arts, Intermediate ..... | 304 „ 339 |
| 1 „ 6 | Income Tax ..... | 396 „ 398 |
| | „ (Also Exs. Nos. 125, 133, 141, 144, 159) | |
| 70 „ 100 | Partnership & Miscellaneous ..... | 398 „ 411 |
| 100 „ 109g | West Riding C.C., Advanced ..... | 609 „ 635 |
| 110 „ 164 | Miscellaneous ..... | 609 „ 658 |
| 1 „ 15 | Limited Companies ..... | 487 „ 492 |
| 1 „ 4 | Double A/c. System..... | 520 „ 521 |
| | „ „ (Also Exs. Nos. 149, 156) | |
| 1 „ 7 | Bankruptcy..... | 539 542 |
| | „ (Also Exs. Nos. 121, 122, 123, 130, 137, 161, 162, 163) | |
| 1 „ 3 | Royalties ..... | 547 |
| | „ (Also Exs. Nos. 135, 139, 154, 158) | |
| 1 „ 3 | Branch ..... | 607 „ 608 |
| 2 „ 6 | Executorship ..... | 874 „ 876 |

# INDEX OF EXAMINATION PAPERS.


**Royal Society of Arts.**

| No. | | Year. | Page. |
|---|---|---|---|
| Elementary | | 1901 | 136 |
| „ | | 1902 | 137 |
| „ | | 1903 | 137 |
| „ | | 1904 | 138 |
| „ | | 1905 | 138 |
| „ | | 1906 | 139 |
| „ | | 1907 | 140 |
| „ | | 1908 | 140 |
| „ | | 1909 | 141 |
| „ | | 1910 | 142 |
| „ | | 1911 | 143 |
| „ | | 1912 | 144 |
| „ | | 1913 | 145 |
| 49 | Intermediate | 1893 | 239 |
| 50 | „ | 1894 | 240 |
| 51 | „ | 1896 | 242 |
| 52 | „ | 1897 | 243 |
| 53 | „ | 1898 | 304 |
| 54 | „ | 1899 | 307 |
| 55 | „ | 1900 | 308 |
| 56 | „ | 1901 | 309 |
| 57 | „ | 1902 | 311 |
| 58 | „ | 1903 | 312 |
| 59 | „ | 1904 | 313 |
| 60 | „ | 1905 | 315 |
| 61 | „ | 1906 | 317 |
| 62 | „ | 1907 | 318 |
| 63 | „ | 1908 | 320 |
| 64 | „ | 1909 | 322 |
| 65 | „ | 1910 | 323 |
| 66 | „ | 1911 | 325 |
| 67 | „ | 1912 | 327 |
| 68 | „ | 1913 | 328 |
| 69 | „ | 1914 | 330 |
| 69a | „ | 1915 | 332 |
| 69b | „ | 1916 | 333 |
| 69c | „ | 1917 | 337 |
| 69d | „ | 1918 | 338 |
| 69e | „ | 1919 | 974 |
| 69f | „ | 1920 | 977 |
| Advanced | | 1905 | 747 |
| „ | | 1906 | 750 |
| „ | | 1907 | 751 |
| „ | | 1908 | 753 |
| „ | | 1909 | 754 |
| „ | | 1910 | 756 |
| „ | | 1911 | 758 |
| „ | | 1912 | 759 |
| „ | | 1913 | 761 |
| „ | | 1914 | 762 |

| No. | | Year. | Page. |
|---|---|---|---|
| Advanced | | 1915 | 764 |
| „ | | 1916 | 765 |
| „ | | 1917 | 968 |
| „ | | 1918 | 969 |
| „ | | 1919 | 970 |
| Accounting and Banking | | 1905 | 767 |
| „ | „ | 1906 | 767 |
| „ | „ | 1907 | 768 |
| „ | „ | 1908 | 769 |
| „ | „ | 1909 | 770 |
| „ | „ | 1910 | 771 |
| „ | „ | 1911 | 772 |
| „ | „ | 1912 | 772 |
| „ | „ | 1913 | 773 |
| „ | „ | 1914 | 774 |
| „ | „ | 1915 | 774 |
| „ | „ | 1916 | 775 |

**West Riding County Council.**

| | | | |
|---|---|---|---|
| 27 | Elementary | 1897 | 123 |
| 28 | „ | 1898 | 124 |
| 33 | „ | 1900 | 136 |
| 42 | Intermediate | 1897 | 213 |
| 43 | „ | 1900 | 215 |
| 101 | Advanced | 1897 | 609 |
| 102 | „ | 1898 | 610 |
| 103 | „ | 1899 | 611 |
| 104 | „ | 1900 | 612 |
| 105 | „ | 1901 | 613 |
| 106 | „ | 1902 | 614 |
| 107 | „ | 1903 | 616 |
| 108 | „ | 1904 | 618 |
| 109 | „ | 1905 | 619 |
| 109a | „ | 1906 | 621 |
| 109b | „ | 1907 | 624 |
| 109c | „ | 1908 | 626 |
| 109d | „ | 1909 | 628 |
| 109e | „ | 1910 | 629 |
| 109f | „ | 1911 | 631 |
| 109g | „ | 1912 | 633 |

**London Chamber of Commerce.**

| | | | |
|---|---|---|---|
| 44 | Junior | 1908 | 232 |
| 45 | „ | 1909 | 234 |
| 46 | „ | 1910 | 235 |
| 47 | „ | 1911 | 236 |
| 48 | „ | 1912 | 237 |
| Senior | | 1902 | 659 |
| „ | | 1903 | 660 |
| „ | | 1904 | 661 |
| „ | | 1905 | 663 |
| „ | | 1906 | 665 |
| „ | | 1907 | 666 |

INDEX of EXAMINATION PAPERS—*Continued.*


| | Year. | Page. |
|---|---|---|
| Senior | 1908 | 668 |
| ,, | 1909 | 670 |
| ,, | 1910 | 673 |
| ,, | 1911 | 675 |
| ,, | 1912 | 678 |
| ,, | 1913 | 679 |
| ,, | 1914 | 681 |
| ,, | 1915 | 682 |
| ,, | 1916 | 684 |
| ,, | 1917 | 971 |
| ,, | 1919 | 973 |

**National Union of Teachers.**

| | | |
|---|---|---|
| Elementary | 1908 | 147 |
| ,, | 1909 | 148 |
| ,, | 1910 | 149 |
| ,, | 1911 | 150 |
| ,, | 1912 | 151 |
| ,, | 1913 | 152 |
| Advanced | 1903 | 685 |
| ,, | 1904 | 687 |
| ,, | 1905 | 688 |
| ,, | 1906 | 689 |
| ,, | 1907 | 690 |
| ,, | 1908 | 691 |
| ,, | 1909 | 692 |
| ,, | 1910 | 694 |
| ,, | 1911 | 695 |
| ,, | 1912 | 697 |
| ,, | 1913 | 699 |
| ,, | 1914 | 700 |
| ,, | 1915 | 701 |
| ,, | 1916 | 702 |

**Lancashire & Cheshire Union.**

| | | |
|---|---|---|
| Junior | 1907 | 225 |
| ,, | 1908 | 226 |
| ,, | 1909 | 227 |
| | 1910 | 228 |
| ,, | 1911 | 230 |
| ,, | 1912 | 231 |
| Senior | 1903 | 703 |
| ,, | 1904 | 704 |
| ,, | 1905 | 705 |
| ,, | 1906 | 706 |
| ,, | 1907 | 707 |
| ,, | 1908 | 708 |
| ,, | 1909 | 710 |
| ,, | 1910 | 711 |
| ,, | 1911 | 713 |
| ,, | 1912 | 715 |
| ,, | 1913 | 716 |
| ,, | 1915 | 718 |
| ,, | 1916 | 720 |

**Midland Counties Union.**

| | | |
|---|---|---|
| Advanced | 1906 | 722 |
| ,, | 1907 | 722 |
| ,, | 1909 | 723 |
| ,, | 1910 | 724 |
| ,, | 1911 | 725 |
| ,, | 1912 | 727 |
| ,, | 1913 | 727 |
| ,, | 1915 | 728 |

**Institute of Bankers.**

| | | |
|---|---|---|
| Preliminary | 1903 | 730 |
| ,, | 1907 | 731 |
| Final | 1903 | 732 |
| ,, | 1904 | 734 |
| ,, | 1905 | 736 |
| ,, | 1907 | 738 |

**Institute of Secretaries.**

| | | |
|---|---|---|
| June | 1905 | 740 |
| December | 1905 | 741 |
| June | 1906 | 742 |
| December | 1906 | 744 |
| June | 1908 | 746 |


A **Teacher** under the **London County Council** writes :—Please allow me to express my gratitude for your **valuable Keys.** I am at present taking about 60 students a day at all stages of Book-keeping, and the fact that I have been able to satisfy all their varying requirements and correct their exercises, without encroaching upon my leisure, **speaks more highly** for the **utility** of the **Keys** than any encomiums. To me, at any rate, the volumes **are worth more than their weight in gold.**

**ROYAL SOCIETY OF ARTS.** (*Advanced, May*, 1917.)

**1.** On 1st Jan., 1916, Rayon d'Or, Ltd., offered for subscription 500 5% Debentures of £100 each at par. List closed 10th Jan., 100 Debentures only being applied for. On 1st Mar., the balance of the issue was offered for public subscription at 98, and 300 Debentures were applied for as on 10th Mar. On 1st July, being in need of funds, the Co. borrowed £5000 from the Bank, with whom they lodged the remainder of the Debenture issue by way of collateral security. Record these transactions in the Co.'s books, and show how they would appear in the B/S. Assume that all the Debentures applied for by the public were duly paid for as on 12th Jan. and 12th Mar. respectively.

**2.** The prospectus of the 5% War Loan, 1929-1947, announced that applicants were entitled to have their holdings allotted in any of the following forms :—(*a*) Inscribed as Stock, (*b*) Registered as Stock. (*c*) Bonds to Bearer. Explain the meaning of these terms and describe the relative advantages and disadvantages of the three classes of security.

**3.** Is the ordinary form of Profit & Loss A/c. suitable for employment by a Life Assurance Co. ? If not, explain how the profits of such undertakings are ascertained. **4.** Describe the differences which exist between a Statement of Affairs and a B/S. Give a specimen of the former a/c., and explain how it is prepared.

**5.** The George Waud Manufacturing Co., Ltd., was registered in 1914 to acquire the business of G. C. Waud & Sons. The Nominal Cap. consists of 50000 shares of £1 each. The following balances were extracted from the books of the Co. as on 31st Dec., 1916. Prepare Manufacturing and P. & L. A/cs. and a B/S. for the year. (*a*) Depreciation at the rate of 10% to be written off Machy. & Plant. (*b*) Loose Tools were re-valued at £2941. (*c*) **Stock** was valued as follows :—Raw Materials £1762, and Partially Manufactured Goods £1936. (*d*) The Reserve for Bad and Doubtful Debts to be made up to a sum equal to 2½% on the net sales. (*e*) £1000 to be transferred to the Reserve Fund.

| | | |
|---|---|---|
| Goodwill | £10000 | – |
| Share Cap. A/c. | 40410 | – |
| Final Call A/c. (Debit Bal.) | 500 | – |
| Machy. & Plant | 9890 | – |
| Leasehold Factory | 8562 | – |
| Loose Tools | 3220 | – |
| Sundry Creditors | 1707 | 10 |
| Sundry Debtors | 5640 | – |
| Res. for Bad Debts (31/12/15) | 200 | – |
| Manufacturing Wages | 8642 | – |
| Purchases | 12642 | – |
| Stock (1/1/16) :— | | |
| Raw materials £1562 | | |
| Partially Manufactured Goods 2641 | 4203 | – |
| Purchases Returns | 821 | – |
| Sales | 35704 | – |
| Sales Returns | 404 | – |
| Investments | 5035 | – |
| Discount on Sales | £486 | – |
| Interim Div. paid | 1010 | 10 |
| Office Salaries | 1784 | – |
| Factory Power | 1264 | – |
| Reserve Fund | 4000 | – |
| Manufacturing Exs. | 972 | – |
| Rent & Rates | 941 | – |
| General Trade Exs. | 2171 | – |
| Directors' Fees | 500 | – |
| Royalty for Use of Patents | 500 | – |
| Income Tax | 481 | – |
| Bad Debts | 321 | – |
| P. & L. A/c. (Credit Bal. 31st Dec. 1915) | 1040 | – |
| Travellers' Salaries & Exs. | 1562 | – |
| Interest on Investments | 188 | – |
| Transfer Fees | 5 | – |
| Cash at Bank | 3241 | – |
| Cash in hand | 104 | – |

**Answer.**—*Gross Profit*, £12096 ; *Net Profit*, £1404 10 ; *Balance of Appropriation A/c. for distribution*, £622 ; *Total of B/S.*, £47239 10.

**ROYAL SOCIETY OF ARTS.** (*Advanced, May*, 1918.)

**1.** When preparing a statement showing the liability of Hugh Dickson for Income Tax under Schedule D, how should you treat the following items which appeared in his business P. & L. A/c. :—(*a*) Rents received from the tenants of freehold houses (assessed for Schedule A at £2000), £2500 ; (*b*) Annual Ground Rent paid on Dickson's Factory, £100 ; (*c*) Weekly salary (£8) drawn by Dickson from his business, £416 ; (*d*) Insurance premiums paid for fire (£81), aircraft risks (£31), and policy on Dickson's own life (£102), £214.

**2.** Is there any difference in principle between the balance of the Capital A/c. of a Company working under the double a/c. system and the Capital A/c. of a Limited Company as shown in the published B/S. ? Submit illustrations in explanation of your answer

**3.** State how you would deal with the following items when preparing the a/cs. of a Limited Company :—(*a*) An annual premium of £450 paid to maintain a capital redemption policy to repay £15000 5% Debentures upon maturity ; (*b*) Bills under discount amounting to £4680 maturing after the financial year. One bill for £800 will be dishonoured, and is estimated to produce 7/6 in the £ ; (*c*) £500 drawn by the Managing Director in excess of the salary to which he was entitled under his agreement.

**4.** The undermentioned item sometimes appears on the liabilities side of balance sheets :—*Sundry Creditors and Credit Balances.* Give examples of two items which such a heading might include. Do you approve of this method of treatment ?

**5.** The Western Steamship Co., Ltd., was registered in 1915 with a nominal Cap. of £150000, divided into 100000 Ord. Shares of £1 each, and 50000 6% Pref. Shares of £1 each. The whole of these shares were issued and fully paid, with the exception of the final call of 5/- per share on 1000 Pref. Shares, which was unpaid. On 1st Jan., 1917, 1000 5% Debentures of £100 each were issued at 95. These Debentures were repayable at par in 10 equal annual instalments—the first of which was duly paid on 1st Dec., 1917. The following balances appeared in the Company's books on 31st Dec., 1917. Prepare Working and P. & L. A/cs. and a B/S. for the year, after making the following adjustments :—(*a*) The Managing Directors are entitled to 1% commission on the gross freights and passage money earned ; (*b*) The Directors decided to pay a war bonus of 5% on the officers' and seamen's wages and office salaries for the year 1917 ; (*c*) The Debenture interest outstanding on 31st Dec., 1917, has not been provided for ; (*d*) The stock of stores, etc. on hand on 31st Dec., 1917, was valued at £8432 ; (*e*) 10% Depreciation to be written off the steamships ; (*f*) £5000 is to be transferred to Reserve Fund.

| | |
|---|---|
| Steamships | £200000 |
| Payments on a/c. of new ships | 27427 |
| Maintenance & Repairs | 5340 |
| Stock of Stores & Provisions 31/12/16 | 6248 |
| Stevedoring | 21046 |
| Freight & Passage Money | 216800 |
| Towage, Pilotage, & Port & Light Charges | 29874 |
| Coal & Oil purchases | 31868 |
| Stores & Provisions purchased | 19484 |
| Officers' Salaries & Seamen's Wages | 21964 |
| Marine Insurance | 36894 |
| Pref. Div. (¼ yr. to 30/6/17) | 1470 |
| Deb. Int. (½ yr. to 30/6/17) | 2500 |
| Directors' & Auditors' Fees | 1200 |
| Office Salaries | £2996 |
| Rent, Rates & Taxes | 1421 |
| Advertising | 2162 |
| Sundry Creditors | 23432 |
| Law Charges | 341 |
| Office Expenses | 2245 |
| Sundry Debtors | 32068 |
| Reserve for Income Tax | 3862 |
| Reserve A/c. | 10472 |
| P. & L. A/c. (Cr. Bal. 31/12/16) | 7421 |
| Cash at Bank | 28946 |
| Cash in hand | 1272 |
| Bills Receivable | 9862 |
| General Average Claims paid | 10241 |
| Transfer Fees | 132 |

**Answer.**—*Gross Profit*, £41174 16; *Net Profit*, £3124; *Balance for distribution*, £4075. *Total of B/S.* £292507.

**ROYAL SOCIETY OF ARTS.** (*Advanced, May*, 1919.)

**1.** What is the object of a Deficiency A/c. in insolvency proceedings? Submit a specimen of an a/c. in illustration of your answer. **2.** Explain the difference between a Receipts and Payments A/c. and an Income and Expenditure A/c. Illustrate your answer by *pro forma* examples. **3.** Compare and contrast the Balance Sheets necessary in:—(*a*) Private Partnership, (*b*) Private Limited Company, (*c*) Public Limited Company. **4.** Enumerate three items, usually charged in the P. & L. A/c. of a trading firm, which would not be allowed in a return of profits assessable for Income Tax under Sch. D.

**Exercise.** On 1st Jan., 1918, S. Wilson, trading as the Vimy Engineering Co., agreed to take his manager, T. Brown, into partnership. At this date Wilson's Cap. A/c. stood at £5500. The partnership agreement provided that:—(*a*) On 1st Jan., 1918, Wilson should be credited with £500, as representing the value of the Goodwill of the business. (*b*) Brown, instead of paying in cash capital, should, at the end of each year when profits were ascertained, transfer £500 from his Current A/c. to his Cap. A/c., until the latter a/c. equals that of Wilson; or, in the event of his share of the profits not reaching £500, then the whole of his share to be credited to his Cap. A/c. (*c*) Each partner should be entitled to draw on a/c. of profits the sum of £6 per week (this was done throughout the year). (*d*) Brown should be credited with 10% of the ascertained net profits at the end of each year (after charging int. on Cap.) for managing the business. (*e*) Partners should be credited with 5% int. on their Cap. A/cs., but that no int. should be charged on drawings. (*f*) Until such time as their Cap. A/cs. were equal, Profits and Losses should be shared as follows:—Wilson two-thirds, Brown one-third; afterwards they should share equally. Prepare Trading and P. & L. A/cs. and a B/S. for the year. (*a*) Provision is to be made for two days' wages, £38 9s. 4d. (*b*) **Stock** and work in progress on 31st Dec., 1918, £3293 9s. 8d. and £1622 10s. 6d. respectively. (*c*) Reserve for Bad and Doubtful Debts

2½% on the Sundry Debtors. (*d*) Plant, Machinery & Tools £2890. (*e*) £65 4s. 2d. was due to the Firm's Bankers for Int. on Loan and Overdraft. (*f*) £25 8s. was to be carried forward for unexpired insurances. The balances in the books on 31st Dec., 1918, were :—

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Manufacturing Expenses | £2001 | 8 | 4 | Disc. A/c. (Cred. Bal.) .. | £42 | 6 | 1 |
| Trade Expenses..... | 1010 | 10 | 6 | Plant, Machy. & Tools.. | 3105 | 9 | – |
| Wages ..... | 8605 | 15 | – | Stock (1st Jan., 1918)... | 2620 | 8 | 9 |
| Rates, Taxes & Insce. .. | 390 | 8 | 4 | Purchases Returns .... | 280 | 18 | 4 |
| Salaries ..... | 450 | – | – | Sales Returns..... | 106 | 16 | 3 |
| Freehold Premises ..... | 3000 | – | – | Bank Overdraft..... | 116 | 9 | 1 |
| Purchases ..... | 14603 | 2 | 1 | Loan by Bankers ..... | 2000 | – | – |
| Sales ..... | 20604 | – | 5 | Sundry Creditors..... | 8543 | 16 | 4 |
| Carriage & Delivery Exs. | 2108 | 17 | 2 | Cash in hand ..... | 18 | 6 | 4 |
| Bad Debts ..... | 53 | 3 | 8 | Sundry Debtors..... | 7389 | 4 | 10 |

**Answer.**—*Gross Profit*, £6824 19 2; *Net Profit*, £2114 5 10; *Balance of Profit, Wilson*, £1268 11 6, *Brown*, £634 5 9; *Total of B/S.*, £18554 4 9.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1917.)

1. The following particulars have been extracted from the B/S. of Soleil d'Or, Ltd., as on 31st Dec., 1915 :—Capital—

| | | | |
|---|---|---|---|
| Nominal : | 10000 5% Pref. Shares of £5 each | £50000 | |
| | 100000 Ord. Shares of £1 each .. | 100000 | |
| | | £150000 | |
| Issued : | 5000 5% Pref. Shares of £5 each | £25000 | |
| | 50000 Ord. Shares of £1 each .. | 50000 | £75000 |
| Reserve Fund ..... | | | 20000 |
| P. & L. A/c. (Balance) ..... | | | 12000 |

During the year 1916, Resolutions were passed as follows :—(1) Converting the Pref. Shares into Pref. Shares of £1 each. (2) Declaring a bonus of 20% on the Ord. Shares to be provided as to £6000 out of the Reserve Fund, and as to the remainder out of the Balance of P. & L. A/c. The bonus to be satisfied by the issue of one fully-paid Ord. Share for every five Ord. Shares held. Give the journal entries for the above Resolutions, and show how they would affect the B/S. of the Co. as on 31st Dec., 1916. Assume that the profit for 1916 amounted to £4000.

2. George and Hugh Dixon, who are equal partners, own the freehold of the factory in which their business is carried on. Owing to improved railway facilities in the neighbourhood in which the works are situated, property has increased in value. The factory cost £10000, at which figure it stands as an asset in the books of the firm. A recent valuation values the property at £15000, and the brothers Dixon record this new valuation in the books in place of the cost price. Give the entries and state your opinion as to the wisdom of the procedure.

3. In the B/S. of a Bank recently published in the Press, the undermentioned item appeared on the credit side of the state-

ment :—Liabilities of Customers for Acceptances as per contra, £7,220,780 12s. 2d. Explain the meaning of this item.

4. When preparing the return of a private firm for income tax purposes under Schedule D, how should you deal with the undermentioned items :—(*a*) £100 annuity to widow of deceased book-keeper. (*b*) £22 8s. 6d. int. paid to Bank for a short loan (3 months). (*c*) £105 donation to the National Relief Fund. (*d*) £485 Income Tax Schedule D. (*e*) £26 rent recd. from part premises sub-let to weekly tenant.

5. The Soupert Manufacturing Co., Ltd., was registered in 1914, with a Nominal Cap. of £100000, divided into 50000 Ord. Shares of £1 each, and 50000 5% Pref. Shares of £1 each. As on 31st Dec., 1916, each class of share had been called up to the extent of 10s. per share (viz., 5s. on application and allotment, and 5s. first call). On the same date the following balances appeared in the ledger :—Ord. Share Cap., £22000 ; Pref. Share Cap., £14000 ; Stock, 31st Dec., 1915, £3786 ; Sundry Debtors, £9500 ; Ord. Shares 1st Call A/c., £500 ; Leasehold Land & Works, £4000 ; Rent, Rates, Gas & Water, £792 ; Cash in hand, £281 ; Cash at Bank, £3594 ; Transfer Fees, £10 ; Machy. & Plant, £16850 ; Sundry Creditors, £3526 ; Manufacturing Wages, £7892 ; Reserve for Bad Debts (31/12/15), £200 ; Loose Tools, £1450 ; Purchases, £15641 ; Purchases Returns, £341 ; Sales, £33261 ; Sales Returns, £151 ; Int. recd. on Investments, £162 ; Discount A/c. (credit bal.), £341 ; Preliminary Exs. A/c. (bal.), £672 ; Investments, £3000 ; Office and Management Salaries, £1824 ; Div. A/c. (Pref. Shares, ½ year to 30th June, 1916), £350 ; Factory Power, £871 ; P. & L. A/c. (credit bal. 31/12/15), £1060 ; Manufacturing Exs., £794 ; Insurance, £102 ; Income Tax Schedule D., £384 ; Bad Debts, £146 ; Travellers' Salaries & Exs., £2321. Prepare Manufacturing and P. & L. A/cs. and B/S. for the year ended 31st Dec., 1916, after making the following adjustments :—(*a*) Materials costing £150 were taken out of stock during the year, for the manufacture of loose tools for the use of the Co. The wages for the same purpose amounted to £200 ; (*b*) 10% Depreciation is to be written off the Machy. & Plant, and 15% off the Loose Tools ; (*c*) The **Stock** on 31st Dec., 1916, was £5242 ; (*d*) The bal. of the Prelim. Exs. A/c. is to be written off ; (*e*) The Reserve for Bad Debts is to be increased to an amount equal to 5% on the Sundry Debtors ; (*f*) The Managing Director is entitled to a commission of 5% on the net trading profit ; (*g*) £1000 is to be transferred to a Reserve A/c.

**Answer.**—*Gross Profit*, £10059 ; *Net Profit*, £1939 ; *Balance of Appropriation of Profit A/c.*, £1714 1 ; *Total of B/S.*, £41837.

6. Prepare P. & L. A/c. and B/S. for the year ended 31st Dec., 1916, from the following :—31st Dec., 1915. Cap., £3000 ; Creditors, £1500 ; Bills Payable, £200 ; Plant, &c., £300 ; Stock, £1500 ; Debtors, £2000 ; Bills Receivable, £500 ; Cash, £400. Transactions during the year :—Bills accepted, £1700 ; Acceptances paid, £1000 ; Bills received, £900 ; Cash received from Bills

Receivable honoured, £1000; Cash received from Debtors, £12000; Cash paid to Creditors, £8000; Discount recd., £200; Discount allowed, £500; Cash paid for Trade Exs., £3600; Cash paid for Plant, etc., £200; Debtors as on 31st Dec., 1916, £3000; Creditors as on 31st Dec., 1916, £1200; **Stock** as on 31st Dec., 1916, £2000.

**Answer.**—*Gross Profit*, £5300; *Net Profit*, £1400; *Total of B/S.*, £6500.

**7.** In preparing the A/cs. of a Limited Co., how would you deal with the following items :—(*a*) £1000 recd. from an Insurance Co. for Stock destroyed by fire; (*b*) Goods out "on appro." amounting to £50 (cost price £42) which have been passed through the sales book as a sale; (*c*) £43 paid for Registration of Trade Marks and Designs, and £12 Patent Renewal Fees; (*d*) Goods valued at £1000 had been shipped at the consignor's risk to America, and insured against all risks. The vessel carrying the goods was torpedoed and the cargo lost. The unaccepted bill with documents attached, drawn on the consignees, had been discounted for £940. The insurance claim had not been settled.

**LONDON CHAMBER OF COMMERCE.** (*Senior*, 1919.)

**1.** On 1st Jan., 1916, W. A. Richardson leased a Coal Mine from A. Chatenay for 21 years, at a dead rent of £1000 per ann., merging into a royalty of 1s. per ton, with power to recoup short-workings during the first three years of the lease. The tonnage raised was as follows :—1916, 12800 tons; 1917, 19800 tons; 1918, 29800 tons. Up to 31st Dec., 1918, the only payments made on a/c. by Richardson were two in number, viz.: Jan., 1917, £1000; Jan., 1918, £800. Prepare the necessary a/cs. in Richardson's books, showing the position as on 31st Dec., 1918.

**2.** Select a business in which the employment of the Slip-system of Ledger posting is advantageous, and briefly describe how the system would be operated. **3.** What is a "Cost Sheet"? Select a business, and submit a *pro forma* cost sheet for the information of the proprietor. **4.** What is the difference between a "Cumulative" and a "Non-Cumulative" Preference Share? Does this difference affect the annual a/cs. in any manner?

**5.** J. B. Clark, a cigarette manufacturer, agreed to take his manager, L. Hillingdon, into partnership on 1st Jan., 1918. The terms agreed were :—(*a*) A goodwill a/c. of £10000 was to be created, and a similar amt. credited to Clark. (*b*) Hillingdon to be entitled to a salary of £400 per ann., to be paid monthly. (*c*) Twelve monthly drawings on a/c. of profits were to be made by the partners; Clark, £60 per month; Hillingdon, £20 per month. (*d*) Profits and Losses were to be shared as follows :—Clark, Two-thirds; Hillingdon, One-third. (*e*) Hillingdon was to pay in £2000 as his capital in the business on 1st Jan., 1919. Balances from the books on 31st Dec., 1918 :—

| | |
|---|---|
| J. B. Clark, Cap. A/c. 31/12/17 | £20000 |
| Plant & Machinery | 17800 |
| Fixtures & Fittings | 2400 |
| Rent & Rates of Factory | 950 |
| Lighting (Factory £120, Office £24) | 144 |
| License & Insce. (Factory £300, Office £72) | 372 |
| Rents & Rates of Office | 270 |
| Factory Expenses | 571 |
| Factory Power | 494 |
| Office Expenses | 124 |
| Sales, Cigarettes | 151862 |
| Sales, Shorts & Sundries | 2234 |
| Sales Returns, Cigarettes | 321 |
| ,, Shorts & Sundries | 124 |
| Purchases, Tobacco | 76294 |
| Purchases, Sundries | £2421 |
| Purchases Returns, Tobacco | 1821 |
| ,, Sundries | 106 |
| Office Salaries | 1694 |
| Factory Wages | 8751 |
| Packing Expenses | 1792 |
| Carriage (Inwards £821, Outwards £940) | 1761 |
| Travellers' Salaries & Exs. | 2371 |
| Advertising | 5000 |
| Stock (31st Dec., 1917) | 16841 |
| Sundry Creditors | 4682 |
| Sundry Debtors | 22540 |
| Leasehold Factory | 10000 |
| Cash at Bank | 7240 |
| Cash in hand | 1070 |

Prepare Trading and P. & L. A/cs. for the year ended 31st Dec., 1918, and a B/S., after making adjustments :—(*a*) Depreciation to be written off : Machy. & Plant, 10% ; Fixtures & Fittings, 15%. (*b*) Reserve for Bad Debts to be made equal to 5% on the Sundry Debtors. (*c*) A sum equal to 5% of the net profits to be reserved for distribution to the firm's employees. (*d*) **Stock** on 31st Dec., 1918, £17560. (*e*) 50% of the cost of advertising to be carried forward. (*f*) Interest at 5% to be credited to the Partners' Cap. A/cs., but no interest to be charged upon drawings. (*g*) The following amts. were owing at the end of the year : Factory Wages, £68 ; Office Salaries, £35.

**Answer.**—*Gross Profit*, £62775 ; *Net Profit*, £50418 ; *Balance of Profit, Clark*, £31931 8 ; *Hillingdon*, £15965 14 ; *Total of B/S.*, £87843.

**6.** Briefly describe a system of book-keeping suitable for the requirements of a Water Co., and submit the ruling of not more than one book employed by Water Companies which presents features not common to those employed by ordinary trading companies.

**7.** When George Dickson submitted his a/cs. to the Surveyor of Taxes for assessment under Sch. D, he was surcharged with the following items :—(*a*) Depreciation on Plant & Machy. at 15% was reduced to 5%. (*b*) Loss by traveller's defalcation disallowed. (*c*) Cost of installing electric light in place of gas disallowed. Should you advise Dickson to appeal against any of these decisions ? If so, what steps should he take, and what success is he likely to meet with ?

**Exercise 69e.** (*Royal Society of Arts, Inter., June*, 1919.)

**1.** Describe the form and functions of a Bill of Lading. **2.** On 29th Nov., 1918, Andorides Freres, Athens, consigned to W. Raleigh, London, 50 cases Turkish Tobacco, each containing 120 lbs., at 4s. per lb. The consignment arrived in London on 31st Dec., and Raleigh accepted a six months' Bill for half the value of the Tobacco, and took delivery in bond. On 4th Jan., 1919, he sold 30 cases to the John & Adam Cigarette Co. for 5s. per lb., receiving payment same day. On 31st Jan., the purchasers requested Raleigh to take the Tobacco out of bond for

them, and gave him a 3 months' Bill for the duty, at 8s. 2d. per lb., paid by him. Show the entries in Raleigh's books necessitated by these transactions.

**Ex. 1.** On 31st Dec., 1918, the X. Trading Co., Ltd., which was registered with a nominal capital of £10000, consisting of 10000 ordinary shares of £1 each, had issued 8000 shares, which were fully paid, with the exception of 5s. per share on 500 shares. The Co. had issued ten 6% Debentures of £100 each. The following balances appeared in the books :—Freehold Premises, £4672 ; Stock £2115 : P. & L. A/c. Debit Balance, £962 ; Bank Overdraft, £647 ; Cash, £19 ; Plant & Fixtures, £1467 ; Due by :—A. Age, £125 ; E. Ewart & Co., £92 ; F. Frost, £401 ; Due to :—B. Brown, £147 ; C. Cook & Co., £106 ; D. Drabble, £48 ; Debenture Holders, ½ year's Interest, £30. Open Ledger A/cs. to record the above and post through the proper subsidiary books the following. *All moneys recd. were pd. into the bank on the day of receipt, and all payments, except where otherwise stated, were made by cheque.* Balance Ledger A/cs. and extract a T.B. No P. & L. A/c. or B/S. is to be prepared. 1919. Jan. 1. Pd. Debenture Int. (less Income Tax at 6s.). Sold, on credit, 3 gross of articles at 6s. a doz. to F. Frost. Jan. 2. Gave C. Cook & Co. a bill at 3 mos. for amt. due to them. Sold A. Age, on credit, 500 articles at 2/6 each, less trade dis. of 10%. Purchased from B. Brown, on credit, goods to the value of £497, and pd. him £250 on a/c. Jan. 3. Borrowed £2000 from the Bank, lodging as security the deeds of the premises. Recd. from E. Ewart & Co. the amt. due from them, less 2½% dis. Pd. by cash, office exs., £2 10s. Purchased for cash, fixtures, £14. Jan. 4. Recd. from A. Age amt. due on 31st Dec., 1918, less 2½%. Drew and cashed cheque for cash purposes, £50. Pd. wages by cash, £39. Jan. 6. A. Age returned 47 articles sold him on the 2nd, and was given a credit note. F. Frost pd. £400 on a/c. Jan. 7. Gave B. Brown a bill at 2 mos. for the amt. due to him, plus 5% by way of Int. Jan. 8. Purchased from B. Brown, on credit, 12 gross articles, at 125s. a gross. Sold F. Frost, on credit, goods to value of £50. Pd. £55 Sch. A. Income Tax, due 1st Jan., on the premises. Pd. by cash, cartage charges, 30s. Jan. 9. Purchased goods, on credit, from G. Graves, to value of £150, paying him 25% on delivery. Returned to B. Brown ½ gross of articles purchased from him on the 8th, and recd. a credit note. Pd. D. Drabble amt. due to him, less 5% dis. (*Total Balances*, £11824 5s.)

**Ex. 2.** From the following Trial Balance of a Limited Co., prepare Trading, and P. & L. A/cs. for the yr. ended 31st Dec., 1918, and a B/S. (*a*) **Stock** on 31st Dec., 1918, valued at £2962 9s. 7d. (*b*) Depreciation to be written off :—Plant & Machy. 10%, Fixtures & Fittings 5%, Horses & Carts £100. (*c*) Reserve for Bad Debts to be created amounting to 5% of the Sundry Debtors. (*d*) Rates & Insurance unexpired on 31st Dec., amounted to £49. (*e*) A Commission of 1% on the Gross Profit to be credited to the Works Manager, and a Commission of 5%

on the Net Profit (after charging the Works Manager's Commission) to be credited to the General Manager.

| Dr. Balances— | | | | Dr. Balances continued— | | | |
|---|---|---|---|---|---|---|---|
| Plant & Machy. | £1972 | 10 | – | Purchases | £9716 | 10 | 4 |
| Manufacturing Wages.. | 3496 | 12 | – | Sales Returns | 316 | 10 | – |
| Salaries | 1596 | 10 | 4 | Discount A/c. | 92 | 4 | 1 |
| Fixtures & Fittings.... | 947 | 6 | 8 | Bad Debts | 148 | 9 | 6 |
| Carriage Inwards | 198 | 4 | 7 | Int. & Bank Charges .. | 47 | 10 | – |
| Carriage Outwards .... | 215 | 6 | 11 | Cash at Bank | 754 | 1 | 5 |
| Freehold Works..... | 2500 | – | – | Cash in hand | 14 | 10 | 2 |
| Manufacturing Exs. ... | 945 | 14 | 3 | | | | |
| Rates, Taxes & Insce. . | 417 | 10 | 10 | **Cr. Balances—** | | | |
| Goodwill | 3000 | – | – | Cap. (Nominal 10000 Shares of £1 ea.) 8000 Shares fully paid.... | 8000 | – | – |
| General Expenses .... | 814 | 5 | – | Sundry Creditors..... | 5416 | 10 | – |
| Factory Fuel & Power . | 127 | 10 | – | P.&L.A/c.(31 Dec.,1917) | 743 | 6 | – |
| Sundry Debtors..... | 7814 | 10 | – | Bank Loan..... | 1000 | – | – |
| Lighting & Heating ... | 98 | 14 | 7 | Purchases Returns .... | 114 | 5 | 11 |
| Stable Expenses ..... | 247 | 6 | 11 | Sales ..... | 24141 | 14 | 5 |
| Stock, 31st Dec., 1917.. | 3417 | 8 | 9 | | | | |
| Horses & Carts ..... | 516 | 10 | – | | | | |

**Answer.**—*Gross Profit*, £9000; *Net Profit*, £4545 15s.; *Bal. of Profit*, £5061 15s. 3d.; *Total of B/S.*, £19795 11s.

---


# The London Association of Accountants,

Limited by Guarantee.

**TEMPLE CHAMBERS, TEMPLE AVENUE, LONDON, E.C. 4.**

The Association is in the sixteenth year of its existence, and there are at present over 1600 members.

The London Association of Accountants has been founded for the purpose of providing a special organisation for Accountants, and others desirous of adopting the profession.

Examinations are held in June and December.

There is an excellent library of technical works of interest to Accountants.

There are two classes of Members—Fellows and Associates.

Fellows use the initials F.L.A A. and Associates A.L.A.A., and the designation used by members is "Certified Accountant."

The entrance fees are :—Fellows, £1 1s.; Associates £1 1s.

The Subscription is £1 1s. per annum for each class of Member, payable in advance on the 1st January in each year. Members joining after the 30th June pay 10s. 6d. for the remainder of the year.

Lectures are given in London by eminent authorities during the winter months, which are reported in the Official Journal of the Association, "The Certified Accountants' Journal." **Price 2d.**

The "Certified Accountants' Journal" is issued free to members.

Further information may be obtained from the Secretary —

**TEMPLE CHAMBERS, TEMPLE AVENUE, LONDON, E.C. 4.**

**Exercise 69f.** (*Royal Society of Arts, Inter., May,* 1920.)

**1.** What is a post-dated cheque ? **2.** J. B. Clark is a Dry Goods Merchant, and deals in ladies' costumes, Scotch tweeds, velvet and silk. Give a ruling suitable for his Sales Book.

**Ex. 1.** Martin Ravary is a Wholesale Ladies' Costume and Cloth Merchant. On 1st Jan., 1920, his Assets and Liabilities were as follows :—**Assets :** Furniture & Fixtures, £258 ; Sundry Debtors :—H. Lyons, £104 ; B. Bryce, £158 ; C. Allen, £17 ; P. Wilson, £21 ; Stock, £1029 ; Bill Receivable from B. Bryce (due Jan. 15th, 1920), £62 ; Cash, £15 ; Bank, £256. **Liabilities :** Sundry Creditors :—M. Herriott, £129 ; C. Testout, £241 ; H. Dickson, £36 ; Bill Payable to H. Dickson (due Jan. 12th, 1920), £150. Open Ledger A/cs. to record the above and post through the proper subsidiary books, the following. Balance Ledger A/cs. as on 22nd Jan , and extract a T.B. 1920. Jan. 1.—Drew and cashed cheque for £100 for Office Cash. Bought for cash 16 Paris model ladies' coats for £47. Jan. 2.—Sold, on credit, to George Dawson, 56 yds. velvet at 30/6 per yd. Jan. 3.—B. Bryce pd., by cheque, £50 on a/c. H. Lyons gave a Bill for 3 mos. for the amt. of his a/c. Bought, on credit, 2 rolls of Scotch tweed at £56 per roll from Robert McGredy & Co. G. Dawson returned 5 yds. of velvet sold him on the 2nd inst., damaged. Jan. 5.—Sold, for cash, two costumes at £6 and £5 10s. respectively. Pd., in cash, Wages £12 and Office Exs. £2 1s. Jan. 8.—Bought, on credit, 100 yds. lining silk @ 21/6 per yd. from C. Testout. Jan. 9.—Pd., by cheque, M. Herriott's a/c. less 2½% dis. Jan. 10.—Cash sales to date £38. Sold on credit, 24 costumes at £4 4s. each to P. Wilson, less 5% trade dis. Jan. 12.—H. Dickson's Bill, due this day, was duly met through the bank. Pd. Wages, in cash, £14, and Office Exs. £3 4s. Jan. 14.—Pd., in cash, Carriage £8 6s. Jan. 15.—B. Bryce's Bill, due this day, was duly met through the Bank. Jan. 16.—Bought, on credit, 150 yds. blue serge @ 20/- per yd., from M. Herriott, less 5% trade dis. Gave M. Herriott a cheque on a/c. £50. Jan. 17.—Cash sales for week, £92. Jan. 20.—M. Ravary drew cheque £50 for private purposes. Jan. 21.—Purchased, for cash, 8 doz. coat hangers @ 24/- per doz. (Charge to Furniture & Fixtures). Returned 10 yds. blue serge, purchased on the 16th inst., to M. Herriott, as faulty. B. Bryce pd. £100 on a/c. by cheque. Pd cheque into Bank. Jan. 22.—Pd cash into Bank, £100.

**Ex. 2.** From the following Trial Balance of L. Pirrie, prepare Trading, and P. & L. A/cs. for the year ended 31st Dec., 1919, and a B/S. (*a*) **Stock** on 31st Dec., 1919, £1429. (*b*) Write Depreciation off :—Plant & Machy. 10%, Office Furniture 5%. (*c*) Reserve for Bad Debts to be made up to £400. (*d*) Three days' Wages (amounting to £57) had accrued due, but had not been paid on 31st Dec., 1919. (*e*) Unexpired Insurances,

amounting to £68, are to be carried forward to next year. (*f*) 5% Int. is to be allowed on Cap., but no interest is to be charged on Drawings.

| **Dr. Balances—** | |
|---|---|
| Drawings A/c. | £700 |
| Purchases | 5221 |
| Sales Returns | 182 |
| Stock (1 Jan., 1919) | 1146 |
| Salaries | 628 |
| Manufacturing Wages | 3856 |
| Leasehold Factory | 2500 |
| Rent, Rates & Insurance | 694 |
| Carriage Inwards | 231 |
| Carriage Outwards | 324 |
| Office Expenses | 228 |
| Factory Expenses | 724 |
| Plant & Machy. | 2400 |
| Factory Fuel | 795 |

| **Dr. Balances continued—** | |
|---|---|
| Bills Receivable | £124 |
| Sundry Debtors | 3897 |
| Cash at Bank | 1240 |
| Cash in hand | 221 |
| Office Furniture | 350 |
| Travellers' Salaries & Comm. | 987 |
| **Cr. Balances—** | |
| Capital A/c. | 9000 |
| Purchases Returns | 424 |
| Sales | 14984 |
| Bad Debts Res. (1 Jan., 1919) | 324 |
| Dis. A/c. (Balance) | 18 |
| Sundry Creditors | 1698 |

**Answer.**—*Gross Profit*, £4625; *Net Profit*, £1066 10s.; *Capital*, £9816 10s.; *Total B/S.*, £11571 10s.

---

The **Corporation Profits Tax** of **1/-** in the £ is imposed on the profits of **Limited Companies** and **Corporations** engaged in trade or transactions of a similar character, arising in any accounting period ending after the 31st December, 1919. The profits of *Co-operative Societies* are included, but not amounts returned to purchasers as a dividend or bonus in proportion to their purchases.

The **first £500** of profits is **exempt** from this tax, which must **not exceed 2/-** in the £ on the total profits, after deducting any interest or dividends paid at a fixed rate on any debentures, preference shares limited to dividends at a fixed rate, or permanent loans issued before 20th April, 1920.

**Deductions** are allowable from the profits for interest on borrowed money, rent and royalties, depreciation, renewals, and excess profits duty. The deduction for the remuneration of any director, manager, or other person concerned in the management, must not exceed £1000 per annum.

THE

# GREAT MASTER KEY

TO PART 1, ELEMENTARY,
of the 25th and previous editions of the

# Student's Book-keeping,

is the **only elaborate** and **comprehensive work**
of the kind that has ever been published.

## All the Keys in print put together

being mostly mere **skeletons**, and therefore almost useless for checking, do not equal this volume, which **commences** with **Exercise 2**, and covers all the subsequent Exercises to **52**, and Examination Papers, up to the year **1918.**

Inasmuch as this volume contains

**FULLY-WORKED KEYS to 70 EXAMINATION PAPERS**

it thus forms the **only Complete Guide** to all

## Elementary and Intermediate Examinations.

---

## The Student's and Practitioner's Gold Mine.

---

## SUCCESS AT EXAMINATIONS ASSURED.

---

**EVERY COMMERCIAL COLLEGE MUST HAVE A COPY**
of this up-to-date

## Twentieth Century Masterpiece,

which solves more Problems than all other Textbooks
and Keys on the market.

## 450 Keys and Answers

provided at a halfpenny each.

---

Send post card for specimen pages to—

**ARTHUR FIELDHOUSE, P.O. Box A. 27, Huddersfield.**

# OPINIONS of KEY.

"Your 'Key' is a Masterpiece. It contains more information than all the **Guinea** and **Half-guinea** publications combined, that have been published on the subject, and is in fact a **Library in itself.**"

P. MURRAY,
*Author of "Book-keeping for Competitive Examinations," &c.*

"Your "Key' is creating quite a **sensation.**"

F. J. MITCHELL,
*Original Author of "Book-keeping Simplified."*

"It has quite exceeded my expectations. It is a **valuable reference book** on all matters pertaining to Book-keeping and Accounts, the very **complete Index** making it a **veritable Encyclopædia** of information."

E. HOWARTH.

"I consider the Key is a **stupendous production.**"

WILLIAM LORD.

"This is one of the **greatest boons** the busy teacher has received from anyone for many years."

WM. BRUCE

"You have rendered remarkable service to serious students of Accountancy, in fact you have succeeded in making 'Fieldhouse' and 'Accountancy' quite **synonymous terms.**"

R. E. KATRAK.

"I think this is a **triumph indeed.** I am amazed at its completeness and think it a **real treasure.**"

A. J. JONES

"The Key is a **magnificent one.** It is certainly **unique** and in my opinion it would be **cheap at four or five guineas.**"

ALFRED GRIFFIN.

"I congratulate you on the production of your **marvellous Key.** It **has saved** me many **hours of hard work** both in and out of class."

R. W. MILES.

**Address: ARTHUR FIELDHOUSE, P.O. Box A. 27, Huddersfield.**

THE

# Great Master Key

to Part 2, Advanced,

of the 28th and previous editions of the

# Student's Book-keeping,

is the only elaborate and comprehensive work of the kind that has ever been published.

## All the Keys in print put together

being mostly mere skeletons, and therefore almost useless for checking, do not equal this volume, which commences with Exercise 53, and covers all the subsequent Exercises and Examination Papers, up to the year 1919.

Inasmuch as this volume contains

**FULLY-WORKED KEYS to 160 EXAMINATION PAPERS**

it thus forms the only complete Guide to all

## Intermediate and Advanced Examinations.

## The Student's and Practitioner's Gold Mine.

## SUCCESS AT EXAMINATIONS ASSURED.

Every Commercial College must have a Copy of this up-to-date

## Twentieth Century Encyclopædia,

which solves more Problems than all the other Textbooks and Keys on the market.

## 400 Exercises and 500 Questions answered at ¼th of a penny each.

Send post card for specimen pages to—

**ARTHUR FIELDHOUSE, P.O. Box A. 27, Huddersfield.**

## A Triumph of Phonographic Journalism.

**The most widely read magazine in the whole range of Shorthand Literature.**

# 'The Phonographic Monthly'

**Edited by**

**William Thompson and S. Munro-Peebles.**

Its world-wide popularity amongst Shorthand Students, Teachers, and phonographers generally is incontrovertible evidence of its intrinsic value to every present-day disciple of Sir Isaac Pitman.

In the Phonographic World to-day, the "**Monthly**" holds the premier position,

**BECAUSE :**

1.—In the essential matters of **beautifully formed, clear and correct outlines, well-chosen phraseograms,** and **safe contractions,** it is **ABSOLUTELY RELIABLE.**

2.—Its articles are brightly written and deal informatively with every topic of interest to the writer of Pitman's Shorthand.

3.—It contains thoroughly practical hints and helps to Students and Examination Candidates.

4.—Reporting Exercise Transcribing, and other Competitions in which every Reader can participate, are included each month.

5.—Those Readers who enjoy lighter and entertaining phonographic reading are generously catered for.

### AN EXAMINER'S OPINION.

The well-known Examiner, Mr. EDWARD A. COPE, in a letter to the Editor says :—"I doubt whether writers and students of Pitman's Shorthand realise at all adequately the advantages offered to them by the splendid magazine literature which the art has produced. Month after month and year after year they have been served by periodicals which have aimed at providing reading matter interesting in itself and of special help to Phonographers, presented in a style in which perfect accuracy of outline has been combined with beauty of form. Among the magazines which have thus kept a high standard of phonographic excellence before their readers the "PHONOGRAPHIC MONTHLY" took a prominent place. That place it has consistently maintained. It gained it, and it has kept it, by sheer merit."

IF YOU ARE NOT A SUBSCRIBER TO

# 'The Phonographic Monthly'

YOU ARE LOSING A "LITERARY TREAT" EACH MONTH.

Ask for Specimen Copy, 4d. post free.
Annual Subscription, 5/- post free.

J. H. SIMMONS, Business Manager, Addiscombe, Croydon.

# The Reporters' Magazine. 6d.

**T**HE High Water Mark Attained.
**H**ALLETT'S **ONLY** PHONOGRAPHIC JOURNAL;
**E**ntertaining and Instructive Matter.

**R**EAD carefully every month, as it
**E**nsures **HIGH SPEED** ultimately;
**P**rice only 6d.; post free 6/6 per annum.
**O**riginal lines followed regularly;
**R**eaders amongst all classes;
**T**ry a single copy, and THEN decide;
**E**nglish always put to the fore.
'**R**ead! Read!! Read!!! Copy! Copy!! Copy!!!"
**S**ays America's Greatest Speedman.

**M**R. Nathan Behren, "The 100 per cent. Accuracy Man."
**A**ccuracy of outlines and phraseograms;
**G**alaxy of eminent and able contributors;
**A**lways worth reading and copying;
**Z**ealous discussions on all burning problems;
**I**n Thirty-fifth Volume.
**N**ew style Outlines (with old ones bracketed);
**E**ditor's object:—A **Live** Magazine.

ADDRESS:

**F. J. HALLETT, "Reporters' Magazine,"**
**21 York Gardens, Clifton, BO, Bristol.**

---

For the Ambitious Business Man,
The Commercial Student,
The Expert Book-keeper and Accountant.

# The Institute of Commerce

LIMITED (BY GUARANTEE). INCORPORATED.

Commercial Teachers Section. General Section.
Expert Typist's Section. Expert Book-keeper's Section.

---

**Grades.** Fellows. Associates and Members.

---

**Official Organ.** "Institute of Commerce Magazine."

**Employment Bureau.** **Information Bureau.**

**Examinations** for Diplomas. Quarterly.

**Examinations** for Students. Quarterly.

**Branches and Representatives** in all large towns at home, in the Colonies, and many foreign Countries.

---

Full particulars on application to the General Secretary, Mr. Egbert P. Booth, Lichfield Chambers, Upper Priory, Birmingham.

1919. BE UP-TO-DATE.

**What?** EIGHT EDITIONS EXHAUSTED IN NINE YEARS? **Yes!**

THE STUDENT'S

# Business Methods

AND

# Commercial Correspondence,

BEING A GUIDE TO THE PROCEDURE OF THE MODERN OFFICE, AS WELL AS A COURSE OF TRAINING FOR ALL ELEMENTARY AND INTERMEDIATE EXAMINATIONS.

---

By **ARTHUR FIELDHOUSE**, Accountant, Huddersfield, who will forward **SPECIMEN PAGES** and **INDEX** on receipt of post card, addressed to **P.O. Box A. 27, Huddersfield.**

---

**NINTH EDITION, 380 Pages. Net Price 3/6; Postage 6d.**

**80 TEST and EXAMINATION PAPERS, containing about 1300 QUESTIONS, NEW CHAPTERS on Insurance, Marine Carriage and Insurance, Ordinary and Limited Partnerships, Private and Public Companies, IMPORT and EXPORT TRADE, and STOCK EXCHANGE.**

---

This is the only **practical, up-to-date** book on **Commercial Correspondence** and **Office Work**, and is characterised by the same qualities that have made the author's other textbooks so popular. The lessons are well **graduated**, and the **teacher** is **saved** the **drudgery** of preparing **Test Papers**, one of which follows every chapter, in addition to numerous **Examination Papers**. **PRACTICAL Work** is provided in the **Series of Business Transactions** included in some of the Test Papers. This book is not written on commission for a firm of publishers, but, like the author's other works, the **Copyright** is his sole property, and he is therefore at liberty to produce what he knows to be required, both for the **Office** and the **class-room**. It is the **only complete Guide**, covering all the **Elementary** and **Intermediate Examinations**. Small-priced books may be had on the subject, but as they do not cover the Syllabuses they are dear at a gift. **Efficiency** should be the first consideration. It is an excellent **Handbook** for the Junior in the **office.**

---

**London : Simpkin, Marshall, Hamilton & Co., Ltd.**

# The EVIDENCE before the COURT

is that **750** GOLD, SILVER and BRONZE MEDALLISTS and PRIZE WINNERS have used

# "The Student's Commercial Book-keeping, Accounting and Banking."

## ROYAL SOCIETY OF ARTS—Book-keeping.

1897 JOSEPH MEARS, First Prize and Bronze Medal.
1898 WILLIAM H. SMITH, Third Place and Bronze Medal.
1899 ERNEST BAILEY, Sixth Place and Bronze Medal.
1900 ERNEST HUDSON, Fifth Place and Bronze Medal.
1900 THOMAS J. HEARN, Seventh Place and Bronze Medal.
1901 ERNEST G. ELLIOTT, Third Place and Bronze Medal.
1901 JOHN WM. TODD, Ninth Place and Bronze Medal.
1902 GEORGE E. HALL, First Prize and Bronze Medal.
1902 JOHN E. RHODES, Third Place and Bronze Medal.
1902 ARTHUR V. HUSON, Ninth Place and Bronze Medal.
1903 EDWIN NICHOLL, First Prize and Bronze Medal.
1903 VINCENT E. COLLINGE, Fourth Place and Bronze Medal.
1903 EDGAR J. SHEPHERD, Sixth Place and Bronze Medal.
1903 ALLAN HILL, Seventh Place and Bronze Medal.
1903 GEORGE A. LEE, Eighth Place and Bronze Medal.
1903 JOHN B. HYDE, Ninth Place and Bronze Medal.
1903 LANDER J. W. COMLEY, Tenth Place and Bronze Medal.
1903 HERBERT H. YOUNG, Eleventh Place and Bronze Medal.
1904 ALBERT F. SAUNDERS, First Prize and Bronze Medal.
1904 WILLIAM LANGFORD, Second Prize and Bronze Medal.
1904 WILLIAM H. BROWN, Fifth Place and Bronze Medal.
1904 WILLIAM O. RILEY, Sixth Place and Bronze Medal.
1904 HAMILTON H. STOKES, Seventh Place and Bronze Medal.
1904 FRED B. SHARP, Eighth Place and Bronze Medal.
1904 DAVID L. EVANS, Ninth Place and Bronze Medal.
1904 HAROLD S. MITCHELL, Eleventh Place and Bronze Medal
1905 EDWIN WILSON, First Prize and Silver Medal.
1905 FRANK SHAW, Third Place and Silver Medal.
1905 HARRY BARTON, Fourth Place and Silver Medal.
1905 ROBERT E. SEALEY Fifth Place and Silver Medal.
1905 ALBERT E. WELCH, First Prize and Bronze Medal.
1905 GEORGE T. BARTON, Second Prize and Bronze Medal.
1905 GEORGE R. DOWNIE, Fifth Place and Bronze Medal.
1905 JOHN A. McLELLAN, Sixth Place and Bronze Medal.
1905 FREDERICK C. VERYARD, Seventh Place and Bronze Medal.
1905 FRANK BREWSTER, Ninth Place and Bronze Medal.
1906 ALBERT F. SAUNDERS, First Prize and Silver Medal.
1906 HUBERT BYERS, First Prize and Silver Medal.
1906 FRED COLLINS, Second Prize and Silver Medal.
1906 JOHN R. BEGG, Fourth Place and Silver Medal.
1906 WILLIAM J. BAKHURST, Ninth Place and Silver Medal.
1906 HARRY ELLISON, First Prize and Bronze Medal.
1906 CHARLES FIELD Second Prize and Bronze Medal.
1906 WALTER N. H. JOLLY, Third Place and Bronze Medal.
1906 ARTHUR BIRCH, Fourth Place and Bronze Medal.
1906 WILLIAM H WESTHROP, Fifth Place and Bronze Medal
1906 WILLIAM R. MURED DE WHALLEY, Sixth Place and Bronze Medal.
1906 HAROLD A. CUTTING, Seventh Place and Bronze Medal
1906 ARTHUR WADSWORTH, Eighth Place and Bronze Medal.
1907 JOSEPH M. McCRUDDEN, First Prize and Silver Medal.
1907 CHARLES A. THOROGOOD, Second Prize and Silver Medal.
1907 BERNARD F. SANDERSON, Third Place and Silver Medal.
1907 CHARLES E. PAXMAN, Fourth Place and Silver Medal.
1907 FRANK A. ROOT, Fifth Place and Silver Medal.
1907 ERNEST J. HAMMOND, Sixth Place and Silver Medal.
1907 THOMAS H. FOZZARD, First Prize and Bronze Medal.

## R.S.A. Medallists—*continued.*

1907 LEONARD T. GLOVER, Second Prize and Bronze Medal.
1907 CLIFFORD G. MASTERSON, Fourth Place and Bronze Medal.
1907 JOHN R. BENNETT, Fifth Place and Bronze Medal.
1907 GEORGE C. DYSON, Ninth Place and Bronze Medal.
1907 EDGAR B. HIBBERD, Tenth Place and Bronze Medal.
1908 FRANCIS P. COLEMAN, First Prize and Silver Medal.
1908 ALFRED F. NORMAN, Second Prize and Silver Medal.
1908 HENRY L. WATT, Third Place and Silver Medal.
1908 ARTHUR WADSWORTH, Fifth Place and Silver Medal.
1908 DAVID J. HEADLAND, Sixth Place and Silver Medal.
1908 HORACE B. NASH, First Prize and Bronze Medal.
1908 JOHN R. W. SILLS, Second Prize and Bronze Medal.
1908 GEORGE E. VASEY, Third Place and Bronze Medal.
1908 LEONARD H. MUNDAY, Fourth Place and Bronze Medal.
1908 FREDERICK C. THOROGOOD, Fifth Place and Bronze Medal.
1908 ANN W. SINCLAIR, Sixth Place and Bronze Medal.
1908 ALFRED J. T. FUGGLE, Seventh Place and Bronze Medal.
1908 CONSTANCE E. M. TRUSSLER, Eighth Place and Bronze Medal.
1908 DAVID R. ORR, Ninth Place and Bronze Medal
1909 FREDERICK J. ALBAN, First Prize and Silver Medal.
1909 NORMAN D. VINE, Second Prize and Silver Medal.
1909 ALLAN HILL, Third Place and Silver Medal.
1909 WILLIAM A. OAKES, Fourth Place and Silver Medal.
1909 RICHARD S. HOVELL, Fifth Place and Silver Medal.
1909 WILLIAM H. YOUNG, Sixth Place and Silver Medal.
1909 WADE HUSTWICK, First Prize and Bronze Medal.
1909 HENRY GULLEN, Second Prize and Bronze Medal.
1909 PERCY WESTBROOK, Third Place and Bronze Medal.
1909 ALBERT H. BROMWICH, Fourth Place and Bronze Medal.
1909 GEORGE H. PUDNEY, Fifth Place and Bronze Medal.
1909 WALTER J. HERRING, Sixth Place and Bronze Medal.
1909 GEORGE W. BILES, Seventh Place and Bronze Medal.
1909 ROBERT H. RAINE, Eighth Place and Bronze Medal.
1909 GEORGE W. BERREY, Ninth Place and Bronze Medal.
1910 WILFRED M. VERDON, First Prize and Silver Medal.
1910 FRANK W. PHILLIPS, Second Prize and Silver Medal.
1910 HAROLD R. WEBB, Third Place and Silver Medal.
1910 ARTHUR E. AVERY, Fifth Place and Silver Medal.
1910 WILLIAM D. M. HILL, Sixth Place and Silver Medal.
1910 CHARLES M. CROMBIE, Second Prize and Bronze Medal.
1910 WALTER H. S. WOODS, Third Place and Bronze Medal.
1910 HERBERT H. CLARE, Fifth Place and Bronze Medal.
1910 WILLIAM RAWSON, Sixth Place and Bronze Medal.
1910 HUGH D. AITKEN, Seventh Place and Bronze Medal.
1910 WILLIAM BLAKE, Eighth Place and Bronze Medal.
1910 ARTHUR J. CORPE, Ninth Place and Bronze Medal.
1911 WILLIAM FIELDING, First Prize and Silver Medal.
1911 GEORGE W. BERREY, Third Place and Silver Medal.
1911 JOHN CHEAR, Fourth Place and Silver Medal.
1911 GEORGE H. SPEIGHT, Fifth Place and Silver Medal.
1911 JOHN C. DOUGHTY, Sixth Place and Silver Medal.
1911 PERCY WESTBROOK, First Prize.
1911 HENRY SMITH, Second Prize and Bronze Medal.
1911 FREDERICK G. BRISTOW, Third Place and Bronze Medal.
1911 SYDNEY DAWSON, Fifth Place and Bronze Medal.
1911 WILLIAM T. E. ALLEN, Sixth Place and Bronze Medal.
1911 GEORGE E. GATLING, Seventh Place and Bronze Medal.
1911 EDGAR C. WALKER, Eighth Place and Bronze Medal
1911 CECIL L. HAYES, Ninth Place and Bronze Medal.
1911 JOHN F. BURKE, Eleventh Place and Bronze Medal.
1912 CLIFFORD WARDLE, First Prize and Silver Medal.
1912 CECIL A. HEPWORTH, Third Place and Silver Medal.
1912 BERTRAM G. VICKERY, Fourth Place and Silver Medal.
1912 CHESHYRE MALPAS, Sixth Place and Silver Medal.
1912 HOWARD C. L. MUSTON, Second Prize and Bronze Medal.
1912 HAROLD G. ELLIS, Third Place and Bronze Medal.
1912 AGNES T. LORD, Fourth Place and Bronze Medal.
1912 BERTIE R DUFTON, Fifth Place and Bronze Medal.
1912 REGINALD W. HORSFALL, SixthPlace and Bronze Medal.
1912 CHARLES E. BOURNE Seventh Place and Bronze Medal.
1912 MALCOLM COLLINSON, Eighth Place and Bronze Medal.

## R.S.A. Medallists—*continued.*

1912 JOHN THOMSON, Ninth Place and Bronze Medal.
1912 CHRISTOPHER B. O'HERLIHY, Tenth Place and Bronze Medal.
1912 O. C. STEHELI, Bronze Medal Standard.
1913 REGINALD HOAL, First Prize and Silver Medal.
1913 JOHN F. BURKE, Sixth Place and Silver Medal.
1913 ARTHUR JONES (Swansea), Silver Medal Standard.
1913 LEONARD WILSON, First Prize and Bronze Medal.
1913 WILLIAM J. CHING, Second Prize and Bronze Medal.
1913 JOSEPH BEADLE, Third Place and Bronze Medal.
1913 GEORGE P. JAMES, Fourth Place and Bronze Medal.
1913 RICHARD J. LAKE, Fifth Place and Bronze Medal.
1913 NORMAN TWEEDALE, Tenth Place and Bronze Medal.
1914 SYDNEY DAWSON, First Prize and Silver Medal.
1914 MAURICE H. MUNRO, Second Prize and Silver Medal.
1914 ARTHUR S. MOORE, Third Place and Silver Medal.
1914 C. STANLEY PARNALL, Fourth Place and Silver Medal.
1914 WILLIAM D. RICHEY, Fifth Place and Silver Medal.
1914 CHARLES S. GOLDING, Sixth Place and Silver Medal.
1914 FRED BARTLEY, Third Place and Bronze Medal.
1914 ADOLPHUS LAMONT, Fifth Place and Bronze Medal.
1914 EDWARD C. OVERTON, Sixth Place and Bronze Medal.
1914 CHARLES W. WARD, Seventh Place and Bronze Medal.
1914 SIDNEY C. SOUTHGATE, Tenth Place and Bronze Medal.
1915 GEORGE W. BACON, First Prize and Silver Medal.
1915 GORDON STEVENS, Third Place and Silver Medal.
1915 REGINALD G. SMITH, Fourth Place and Silver Medal.
1915 JOHN H. HODDER, Fifth Place and Silver Medal.
1915 DAVID R. EDWARD, Sixth Place and Silver Medal.
1915 FRANK COOMBS, First Prize and Bronze Medal.
1915 HELEN ODELL, Fourth Place and Bronze Medal.
1915 JOHN S. HANSON, Fifth Place and Bronze Medal.
1915 ARTHUR R. WATERHOUSE, Eighth Place and Bronze Medal
1916 FRED WILLIAMS, First Prize and Silver Medal.
1916 ROBERT M. CLARKSON, Second Prize and Silver Medal.
1916 JOSEPH DORNAN, First Prize and Bronze Medal.
1916 JOHN EADIE, Fifth Place and Bronze Medal.
1916 FREDERICK L. KILBY, Seventh Place and Bronze Medal.
1917 ISAAC WOOLFSON, First Place and Silver Medal.

## Accounting and Banking.

1905 EDWIN WILSON, First Prize and Silver Medal.
1906 CHAS. F. SYNDERCOMBE, First Prize and Silver Medal.
1906 ERNEST W. WEST, Second Prize and Silver Medal.
1909 FREDERICK J. ALBAN, First Prize and Silver Medal.
1909 NORMAN D. VINE, Second Prize and Silver Medal.
1910 JOHN LANGFIELD, First Prize and Silver Medal.
1910 WILLIAM J. HACKETT, First Prize and Silver Medal.
1911 JOHN CHEAR, Second Prize and Silver Medal.
1912 ARTHUR JONES (Pontypridd), First Prize and Silver Medal.
1912 WILLIAM T. E. ALLEN, Second Prize and Silver Medal.
1913 ARTHUR E. LANGTON, First Prize and Silver Medal.
1914 MAURICE H. MUNRO, Second Prize and Silver Medal.
1915 ROSS HINDLE, First Prize and Silver Medal (Banking).
1915 JOHN J. GLEW, First Prize and Silver Medal (Accounting).
1915 REGINALD THOMAS, Second Prize and Silver Medal (Accounting).

## LONDON CHAMBER OF COMMERCE.

1903 BERTRAM F. BAYLEY, First Prize and Silver Medal.
1904 ALBERT F. SAUNDERS, First Prize and Silver Medal.
1904 T. J. HEARN, L.C.C. Prize of £1.
1905 JOSEPH M. McCRUDDEN, First Prize and Silver Medal.
1906 H. H. E. BUSH, First Prize and Silver Medal.
1907 ALFRED E. UPSDELL, First Prize and Silver Medal.
1907 G. A. HARVEY, Second Prize and Bronze Medal.
1907 GEO. T. BARTON, } Joint Winners of the Institute of Chartered
1907 C. C. MORTLEMAN, } Accountants' Prize of £10 10 0.
1907 W. BLAIRMAN, Society of Accountants and Auditors Prize of £5 5 0.
1907 E. J. HAMMOND, Textile Trades' Prize of £3.
1907 E. A. HARBER, }
1907 E. F. JARRETT, } Joint Winners of the L.C.C. Prize of £3.
1907 A. W. MITCHELL }

# L.C.C. Medallists—*continued.*

1907 C. WESTLEY, Textile Trades' Prize of £1.
1907 F. J. HODGSON, Textile Trades' Prize of £2.
1907 W. C. SNELGROVE, Central Association of Accountants' Prize of £3 3 0.
1908 T. G. DIPLOCK, Chartered Accountants' Prize of £10 10 0.
1908 G. L. HOLLOWAY, L.C.C. Bronze Medal.
1908 N. F. SMITH, "Wernher, Beit" Prize of £5.
1908 A. C. AMYS, L.C.C. Gold Medal.
1908 B. H. SIMMONDS, L.C.C. Prize of £3.
1908 C. WESTLEY, Textile Trades' Prize of £3.
1908 C. F. SYNDERCOMBE, L.C.C. Prize of £1.
1908 H. G. S. DANSON, Textile Trades' Prize of £2.
1908 D. THORNTON, Textile Trades' Prize of £1.
1908 S. GODDARD, Textile Trades' Prize of £1.
1908 W. J. BARROW, S. J. TEAGUE, } Joint Winners of the L.C.C. Prize of £3.
1908 A. GOLDBURG, L.C.C. Prize of £2.
1908 W. S. WARREN, L.C.C. Prize of £1.
1908 G. E. MARLER, Central Association of Accountants' Prize of £3 3 0.
1909 PERCY WESTBROOK, Chartered Accountants' Prize of £10 10 0.
1909 W. ALLEN, Society of Accountants' and Auditors' Prize, £5 5 0.
1909 E. GREY, L.C.C. Gold Medal.
1909 G. LEVY, L.C.C. Bronze Medal.
1909 F. R. ALLNUTT, F. G. BRADSTREET, } Joint Winners of the L.C.C. Prize of £3
1909 L. G. ATTRILL, Central Association of Accountants' Prize of £3 3 0.
1909 P. HUGHES, L.C.C. Prize of £3
1909 S. W. DIXON, Textile Trades' Prize of £3.
1909 J. H. G BOX, Textile Trades' Prize of £2.
1909 F. B. CREED, Textile Trades' Prize of £1.
1910 R. A. PARISH, Institute of Chartered Accountants' Prize of £10 10 0.
1910 W. F. BUTLER, Silver Medal.
1910 ALBERT H. BROMWICH, Second Prize and Bronze Medal.
1910 H. B. WADE, The "Wernher, Beit" Prize of £5.
1910 A. H. ARNOLD, L.C.C. Prize of £3.
1910 S. W. HARRISON, Central Association of Accountants' Prize of £3 3 0.
1910 S. INDER, Textile Trades' Prize of £3.
1910 W. G. HOPCRAFT, Textile Trades' Prize of £2.
1910 F. J. HINXMAN, Textile Trades' Prize of £1.
1910 W. J. VINCENT, Textile Trades' Prize of £1.
1910 H. ALDEN, F. G. HAWLEY, } Joint Winners of L.C.C. Prize of £1.
1911 ALFRED H. JOHNSON, Textile Trades' Prize of £1.
1911 ROLAND LONGTHORNE, Textile Trades' Prize of £1.
1911 H. F. RAVENSCROFT, Society of Accountants' and Auditors' Prize, £5.
1911 REGINALD H. YATES, Textile Trades' Prize of £2.
1911 S. P. BAILEY, Second Prize and Bronze Medal.
1911 H. BICKERTON, Textile Trades' Prize of £3.
1911 V. C. MARTIN, ALFRED E. SHEPPARD, } Joint Winners of the L.C.C. Prize of £3.
1911 W. T. RODGERS, ALFRED G. SYMES, } Joint Winners of the L.C.C. Prize of £1.
1911 F. A. SHRIMPTON, Central Association of Accountants' Prize of £3 3.
1912 R. C. BROWN, Institute of Chartered Accountants' Prize of £10 10 0.
1912 C. COMBES, N. A. MOSTYN, } Joint Winners of the L.C.C. Prize of £3.
1912 R. A. YOUNG, Central Association of Accountants' Prize of £3 3 0.
1912 E. A. SPENCER, L.C.C. Prize of £1.
1912 G. W. ANSELL, J. COHEN, } Joint Winners of the Textile Trades' Prize of £2
1912 L. S. BARTON, L.C.C. Prize of £1.
1912 A. J. BRIDGES, L.C.C. Prize of £1.
1913 ARTHUR E. LANGTON, First Prize and Silver Medal.
1913 ELEANOR DEE, Joint Winner of L.C.C. Prize of £2.
1913 WINIFRED M. PERRIS, Joint Winner of L.C.C. Prize of £2.
1913 H. WAREHAM, Textile Trades' Prize of £1.
1913 V. W. GROSVENOR, L.C.C. Prize of £3.
1913 ARTHUR T. GREEN, Joint Winner of L.C.C. Prize of £1
1913 G. F. ALLARDYCE, Textile Trades' Prize of £3.
1913 GEORGE R. COLE, Joint Winner of Textile Trades' Prize of £1.
1913 ARTHUR GUNTER, Joint Winner of Textile Trades' Prize of £1.
1913 ALFRED E VAGO, Joint Winner of Textile Trades' Prize of £1.

## L.C.C. Medallists—*continued.*

1914 A. SMITH, Chartered Accountants' Prize of £10 10 0.
1914 H. S. GOSNEY, First Prize and Silver Medal.
1914 A. R. BURNS, Second Prize and Bronze Medal.
1914 E. V. BRADLEY, R. A. TAYLOR, } Joint Winners of L.C.C. Prize of £3.
1914 F. C. FREE, Textile Trades' Prize of £1.
1914 C. T. E. BAKER, L.C.C. Prize of £2.
1914 J. HELLERMAN, A. J. B. PUSEY, } Joint Winners of Textile Trades' Prize of £2.
1915 H. F. STAPLES, Chartered Accountants' Prize of £10 10s.
1915 FRANK COOMBS, L.C.C. Prize of £1.
1915 GEORGE W. PUGH, L.C.C. Bronze Medal.
1916 V. H. M. BAYLEY, A. T. TYLER, } Joint Winners of the Institute of Chartered Accountants' Prize of £10 10s.
1916 W. J. H. LOWE, First Prize and Silver Medal.
1916 F. S. F. TAYLOR, L.C.C. Bronze Medal.
1916 J. LEWIS, Second Prize and Bronze Medal.
1916 G. E. MacFARLANE, E. WILKINSON, } Joint Winners of the L.C.C. Prize of £3.
1916 LESLIE WADE, Winner of the L.C.C. Prize of £1.
1916 SYBIL E. BARD, LILY COCKLE, } Joint Winners of the L.C.C. Prize of £1.

## NATIONAL UNION OF TEACHERS.

1904 ALBERT F. SAUNDERS, First Prize and Silver Medal.
1905 RICHARD DEACONS, First Prize and Silver Medal.
1905 JOSEPH J. TODD, Second Prize and Bronze Medal.
1906 JOHN F. G. BAGSHAW, First Prize and Silver Medal.
1906 HUBERT BYERS, Second Prize and Bronze Medal.
1906 THOMAS HARRISON, Third Place and Bronze Medal.
1906 J. A. MODEL, Fourth Place and Bronze Medal.
1906 P. MURRAY, Fifth Place and Bronze Medal.
1906 F. A. ROOT, Sixth Place and Bronze Medal.
1907 THOMAS J. CUMMINGS, First Prize and Silver Medal.
1907 EDGAR C. HALSEY, Second Prize and Bronze Medal.
1907 FRED G. CARTER, Third Place and Bronze Medal.
1907 ALFRED E. UPSDELL, Fourth Place and Bronze Medal.
1907 JOHN HORN, Fifth Place and Bronze Medal.
1907 JOHN GLASKYN-CLAY, Sixth Place and Bronze Medal.
1908 JOHN R. BENNETT, Second Prize and Bronze Medal.
1909 EDWARD KEEFE, Second Prize and Bronze Medal.
1910 NORMAN D. VINE, First Prize and Silver Medal.
1911 WALTER P. AMPHLETT, First Place and Silver Medal.
1911 EDWARD J. CLAY, Second Place and Bronze Medal.
1912 DANIEL M. PORTEOUS, First Prize and Silver Medal.
1913 HAROLD W. NAISH, Second Place and Bronze Medal.
1914 ARTHUR S. MOORE, First Prize and Silver Medal.
1914 WILLIAM J. BUSH, Second Prize and Bronze Medal.
1915 WINIFRED HOARE, First Prize and Silver Medal.
1915 GEORGE W. BACON, Second Prize and Bronze Medal.
1916 GEORGE W. BACON, First Prize and Silver Medal.
1916 VICTOR H. M. BAYLEY, Second Prize and Silver Medal.
1916 ROBERT M. CLARKSON, First Prize and Bronze Medal.
1917 G. E. MacFARLANE, Second Place and Bronze Medal.

## SOCIETY of INCORPORATED ACCOUNTANTS.

1907 HAROLD KAY, First Prize and Second Place, Intermediate, Dec.
1908 ARTHUR CROSLAND, First Prize and Silver Medal, Final, June.
1908 FREDERICK J. ALBAN, First Place, Intermediate, Dec.
1908 RICHARD G. PYE, Third Place, Final, Dec.
1909 FREDERICK J. ALBAN, First Place and Gold Medal, Final, Dec.
1909 ROBERT P. TIMPANY, Second Place, Final, Dec.
1909 BERTRAM F. BAYLEY, Fourth Place, Intermediate, Dec
1909 GWILYM E. SAUNDERS, Fifth Place, Intermediate, Dec.
1910 JOHN W. TODD, Ninth Place, Final, May.
1910 ERNEST NICHOL, Fifth Place, Intermediate, May.
1910 GWILYM E. SAUNDERS, First Place and Gold Medal, Final, Dec.
1910 BERTRAM F. BAYLEY, Second Place and Silver Medal, Final, Dec.
1910 HAROLD KAY, Fourth Place, Final, Dec.
1911 CHESHYRE MALPAS, Fourth Place, Intermediate, May.

## Society of Incorporated Accountants and Auditors—*continued*

1911 ROBERT P. WHIPP, Ninth Place, Intermediate, May.
1912 FRANK B. KING, Fourth Place, Intermediate, Nov.
1913 JOSEPH E. STONE, Sixth Place, Intermediate, May.
1913 CHESHYRE MALPAS, First Place and Gold Medal, Final, Nov.
1913 ROBERT P. WHIPP, Fifth Place, Final, Nov.
1913 ALFRED E. SONES, First Place, Intermediate, Nov.
1913 PERCIVAL H. STAFFORD, Second Place, Intermediate, Nov.
1913 LEONARD J. RAGGETT, Fifth Place, Intermediate, Nov.
1913 EDWARD M. SHACKLETON, Eighth Place, Intermediate, Nov.
1914 THOMAS HAWORTH, First Place, Intermediate, May.
1914 WILLIAM MARSHALL, Second Place, Intermediate, May.
1914 THOMAS E. FLOOK, First Prize and Third Place, Intermediate, May.
1914 JOHN R. JOHNSON, Fifth Place, Intermediate, May.
1914 WILLIAM O. J. URRY, Eighth Place, Intermediate, May.
1914 HAROLD GIBSON, Eleventh Place, Intermediate, May.
1914 GEORGE R. RONSON Twelfth Place, Intermediate, May.
1914 THOMAS A. WRIGHT, First Prize and Second Place, Final, Nov.
1914 STANLEY SCOTTER, Second Prize and Third Place, Final, Nov
1914 ERNEST C. HANCOCK, Fifth Place, Final, Nov.
1914 OLIVER CROMWELL, Eighth Place, Final, Nov.
1915 WALTER H. MARSDEN, First Prize, Intermediate, June.
1915 GEORGE W. BACON, Second Place, Intermediate, June.
1915 FRANK A. WALTON, Second Prize, Final, June.
1915 JOSEPH E. STONE, Third Place, Final, June.
1915 REGINALD T. HOLDER, Fourth Place, Final, June.
1915 LEONARD H. GRAVES, Seventh Place, Final, June.
1915 A. LEWIS ROSS, Eighth Place, Final, June.
1915 PERCY ALEXANDER, Ninth Place, Final, June.
1915 THOMAS HAWORTH, First Place and Gold Medal, Final, Nov.
1915 PATRICK TAGGART, Second Place, Final, Nov.
1915 ALFRED F. NORMAN, Third Place, Final, Nov.
1915 LEONARD J. RAGGETT, Fifth Place, Final, Nov.
1915 EDWIN C. RIDING, Sixth Place, Final, Nov.
1915 WILLIAM L. KARAMELLI, Eighth Place, Final, Nov.
1915 JOHN LINAHAN, First Prize, Intermediate, Nov.
1915 WILSON MILBOURNE, Second Place, Intermediate, Nov.
1915 ARTHUR E. MIDDLETON, Third Place, Intermediate, Nov.
1915 CYRIL H. GOLDTHORPE, Fourth Place, Intermediate, Nov.
1916 CHARLES W. BRADDY, First Prize, Final, May.
1916 CLARENCE SNOWDEN, Second Place, Final, May.
1916 JOHN R. JOHNSON, Third Place, Final, May.
1916 FREDERICK A. CAWSON, Second Place, Inter., May.
1916 WILLIAM J. CHING, Third Place, Inter., May.
1916 ARTHUR E. MIDDLETON, First Prize, Final, November.
1916 JOSEPH A. SPEED, Third Place, Final, November.
1916 JAMES C. PAGE, First Place, Intermediate, November.
1916 ARTHUR J. BENJAFIELD, Third Place, Intermediate, November.
1916 ARTHUR HALLETT, Fourth Place, Intermediate, November.
1916 ROSS HINDLE, Fifth Place, Intermediate, November.
1917 M. L. TARMASTER, First Prize, Final, May.
1917 ALFRED B. DAWSON, Second Place, Final, May.

## CHARTERED INSTITUTE of SECRETARIES.

1909 F. J. ALBAN, First Place, Intermediate, June.
1911 A. A. YEOMANSON, First Place, Intermediate, Dec.
1912 JOHN CHEAR, First Place, Intermediate, June.
1912 HUBERT GRIME, First Place, Final, Dec.
1912 JAMES SMITH, First Place, Intermediate, Dec.
1912 F. F. SHARLES, Third Place, Intermediate, Dec.
1913 R. G. WILES, First Place, Intermediate, June.
1913 H. OATES, Third Place, Intermediate, Dec.
1914 JOHN CHEAR, First Place, Final, June.
1914 J. A. HARTLEY, First Place, Intermediate, June.
1914 J. J. COON, Second Place, Intermediate, June.
1914 A. STABELL, Third Place, Intermediate, June.
1914 S. G. WILLIS, Fourth Place, Intermediate, June.
1914 F. C. HOCKRIDGE, Fifth Place, Intermediate, June.
1915 F. C. THOROGOOD, First Place, Dec.

## INCORPORATED SECRETARIES' ASSOCIATION.

1913 HERBERT H. NEGUS, First Place, Intermediate, Dec.
1913 THOMAS WALKER, Second Place.
1914 HERBERT H. NEGUS First Place Final, June.
1914 J. BASS, First Place, Intermediate, June.
1914 A. E. MOUNCHER, Second Place, Intermediate, June.
1914 A. B. REAY, Third Place, Intermediate, June.
1914 ARTHUR JONES, (Swansea) Second Place, Intermediate, Dec.
1915 H. DACRE, First Place, Intermediate. June.
1915 T. TYLER, Second Place, Intermediate, June.
1915 W. COLDWELL, Third Place, Intermediate, June.
1915 A. E. MOUNCHER, First Place, Final, June.
1915 R. J. COLE, Third Place, Final, June.

## UNION of EDUCATIONAL INSTITUTIONS.

1916 S. F. FIELD, First Prize, Elementary.
1916 EDGAR G. ABEL, Second Prize, Elementary.

## Miscellaneous Medallists and Prize Winners.

1906 GEORGE MORTON, First Prize and Silver Medal Yorkshire Union of I.
1906 THOMAS HAWORTH, Second Place, L. & C. Union.
1906 FREDERICK GRIFFITH, First Place, L. & C. Union.
1907 A. E JONES, Silver Medal of the Liverpool Incorporated Accountants.
1908 P. KELLY, First in the U.K. at the Taxes Exam. of the Civil Service.
1908 N. S. FISHER, First Prize and Silver Medal for Commercial Correspondence, awarded by the National Union of Teachers.
1908 N. S. FISHER, Second Prize and Bronze Medal for Theory and Practice of Commerce, awarded by the National Union of Teachers.
1908 C. H. MERREY First Prize, Advanced Book-keeping of the M.C.U.
1908 MARGARITE BENNELL, First Place College of Preceptors.
1908 G. G. DUDDLES, First Place at the Examination of Grocers and Winner of Silver Cup and Purse of £20.
1909 ARCHILOUS TEMLETT, Second Place College of Preceptors.
1909 FREDERICK J. ALBAN, First Place Final Examination of Institute of Municipal Treasurers and Accountants.
1909 W. A. OAKES, First Prize at Inter. Exam. of Chartered Accountants.
1909 WILLIAM CUNLIFFE, First Place Institute of Bankers.
1907-8-9 HUBERT GRIME, Quadruple Prizeman, Lancashire and C. Union.
1910 G. G. DUDDLES, First Place at the Exam. of the Institute of Grocers, Winner of "Cadbury" Prize of £100, and the "Williams" Prize.
1911 J. H. ROGERS, Silver Medal for Business Methods, L. & C. Union.
1911 E. ASHLEY OAKES, First Prize, Final, Chartered Accountants'.
1912 JOSEPH E. STONE, First Place at the Exam. of the National Association of Local Government Officers.
1913 ARTHUR JONES (Swansea), First Place at the Examination of Grocers.
1913 W. J. HODGKISS, First Place Lancashire and Cheshire Union.
1913 P. S. RANDALL, First Place Union of Educational Institutions.
1913 H. EVERETT, the only Candidate who took full marks out of 885 for Book-keeping, Second Division Clerks, Civil Service, October.
1913 HAROLD GIBSON, First Place L. and C. Union.
1913 WILLIAM O. J. URRY First Place Central Ass. of Accountants.
1914 A. S. PERUMAL, First Prize of $100, Government Examination of the Federated Malay States.
1914 RICHARD G. PYE, Second Place, Final Exam. of Institute of Municipal Treasurers' and Accountants'.
1914 WILFRED MORRIS, Bronze Medal, Business Training, R.S.A.
1915 ARTHUR E. LANGTON, First Prize of £100 for Commercial Knowledge.
1915 A. G. SYMES, First Prize of £15 and Silver Medal, Surveyors' Institution.
1915 ARTHUR JONES (Swansea), Silver Medal Standard, R.S.A., Theory and Practice of Commerce.
1915 GEORGE E. MACFARLANE, First Prize, London Ass. of Accts.
1915 DAVID R. EDWARD, Glasgow Chamber of Com. Cash Prize of £5.
1915 R. JONES, First Place, London Ass. of Accts.
1916 JOHN WHOOLEY, First Prize, Department of Agriculture, Ireland.
1916 R. JAYARAM, Gold Medal of L.C.C. in Methods & Machinery of Business.
1917 G. E. MACFARLANE, First Prize and Silver Medal, N.U.T. Theory and Practice of Commerce.

# A SERIOUS TALK WITH EARNEST OFFICE MEN.

**HAVE YOU EVER THOUGHT** of taking one of the recognised professional diplomas which are open, by examination, to men engaged in business life—qualifications which will give you a definite professional status, with remuneration accordingly?

Consider, for example, the following professional Societies, Fellowship of which confers the right to utilise the descriptive initials indicated:—

| | |
|---|---|
| **Chartered Institute of Secretaries** ... | **F.C.I.S.** |
| **Incorporated Secretaries Association** | **F.I.S.A.** |
| **Society of Incorporated Accountants' and Auditors** ... ... ... ... | **F.S.A.A.** |
| **London Association of Accountants** ... | **F.L.A.A.** |

Possessing one of these qualifications there will be keen competition amongst business undertakings for your services in such a capacity as

| | |
|---|---|
| **Company Secretary** | **Accountant** |
| **Private Secretary** | **Cost Accountant** |
| **General Manager** | **Cashier** |
| **Office Manager** | **Works Manager** |
| **Company Director** | **Auditor, etc.** |

The n, given ordinary diligence on your own part, your future career is assured.

The obstacles! They are purely imaginary. One or other of these valuable examinations is open to EVERY ambitious man or woman engaged in business, without payment of any premium or service under articles. The necessary coaching may be undertaken without interference with your present employment, and the cost of the necessary training is quite moderate.

One of the above-mentioned examinations is easily within your reach. An hour or two per day for a few months—and the thing is done!

**If you would like to know more about these examinations and how to enter for them, send a post card, TO-DAY, for the "STUDENTS' GUIDE," gratis and post free,**

## METROPOLITAN COLLEGE Ltd.

(F.B. Dept.) ST. ALBANS.

# What a London Medallist Says.

BARKING,
4th April, 1911.

Arthur Fieldhouse, Esq.,
Accountant & Auditor,
HUDDERSFIELD.

Dear Sir,

I have much pleasure in informing you that in the preparation for all my Examinations your textbook has been my chief source of instruction, and was, undoubtedly, largely instrumental in my ultimate success.

It has been my constant companion since first undertaking the study of Book-keeping and Accountancy, and I have no hesitation in saying that it is certainly one of the most lucid and complete works on the subject.

You will be glad to learn that your book was in use at the East Ham Technical College, attended by me during the past session.

I remain,
Yours faithfully,
R. A. PARISH.

**Winner of the L. C. C. Prize of £10 10s. 0d.**
**Awarded by the**
**INSTITUTE OF CHARTERED ACCOUNTANTS**

# PITMAN'S JOURNAL,

In "Answers to Correspondents," says:—

"If H.S. has worked through all the examples in Fieldhouse's book, he should certainly have as GOOD a KNOWLEDGE of Book-keeping as is ordinarily necessary."

---

"The Secretary," the organ of the Chartered Institute of Secretaries, says:—"This Book is as good in its way as Gore-Browne's 'Handbook on Joint Stock Companies' Law' or Palmer's 'Shareholders' and Directors' Legal Companion': its editions are exhausted as rapidly, at the rate of one per annum, and it is equally practical. We are not aware of any publication, issued at the same price, which covers the same ground as completely, or in which the difficult art of condensation without confusion is so well displayed. The student who works out the questions intelligently will be WELL EQUIPPED FOR A BUSINESS CAREER."

**NEW EDITION.** **PRICE 1/6 NET.**

# INCOME TAX SIMPLIFIED

BEING A

## PRACTICAL GUIDE to the PREPARATION of the RETURN for ASSESSMENT,

AND INSTRUCTIONS FOR OBTAINING

## REPAYMENT of TAX,

For Traders, Commercial and Professional Men, Secretaries, Accountancy Students, and the Public.

BY

ARTHUR FIELDHOUSE,

FELLOW of the ROYAL SOCIETY of ARTS,

*Accountant and Auditor,*

AND

E. EWART FIELDHOUSE, M.A., LL.B.

This is the only **practical, reliable** and **authoritative** popular work on the subject, having been carefully revised and brought up-to-date. In addition to a thorough exposition of the subject generally, special attention has been devoted to **The Income Tax Act, 1918,** and **The Finance Act, 1919.**

**FOURTH EDITION. UP-TO-DATE.**

PUBLISHED BY

**A. FIELDHOUSE, P.O. Box A. 27, Huddersfield.** | **SIMPKIN, MARSHALL & Co., Ltd., London, E.C. 4.**